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You should read this section in conjunction with our audited combined financial statements as at and for the years ended 31 March 2022, 31 March 2023 and 31 March 2024 as set out in the Accountant’s Report, together with the accompanying notes. The Accountant’s Report has been prepared in accordance with HKFRSs. You should read the Accountant’s Report in its entirety and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please also refer to the sections headed “Risk Factors” and “Forward-looking Statements” in this document.

OVERVIEW

We are an established contractor in Hong Kong engaged in civil and electrical cable engineering and solar PV system works. Our civil engineering works specialise in site formation works and road and drainage works, and our electrical cable engineering works specialise in cable trenching, laying and jointing works. For solar PV system works, we specialise in design, installation and maintenance works of solar PV systems. To a lesser extent, during the Track Record Period, we leased machinery and traded construction materials to contractors and subcontractors on an ad hoc basis in a limited number of projects (mainly Project No. #01) in which we participated in. For details of our business model, please refer to the paragraph headed “Business — Description of our services” in this document.

Our revenue decreased from approximately HK\$520.4 million for FY2021/22 to approximately HK\$361.2 million for FY2022/23 and then recovered to approximately HK\$526.1 million for FY2023/24. Our net profit decreased from approximately HK\$59.1 million for FY2021/22 to approximately HK\$40.6 million for FY2022/23 and then recovered to approximately HK\$76.9 million for FY2023/24.

For FY2021/22, FY2022/23 and FY2023/24, there were 43, 59 and 73 projects which contributed a total of approximately HK\$438.8 million, HK\$338.9 million and HK\$523.0 million to our service revenue, respectively. As at 31 July 2024, we had 27 projects on hand. Our value of backlog as at 31 March 2022, 31 March 2023, 31 March 2024 and 31 July 2024 amounted to approximately HK\$221.4 million, HK\$722.0 million, HK\$707.6 million and HK\$815.5 million, respectively.

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BASIS OF PRESENTATION

Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 17 May 2024. Pursuant to the Reorganisation, which was completed on 26 June 2024, our Company became the holding company of the companies now comprising our Group. For further details, please refer to the section headed “History, Development and Reorganisation” in this document.

The companies now comprising our Group were under the control of Mr. Yiu, Mr. Yiu Wang Lung and Mr. Chan before and after the Reorganisation. Accordingly, the financial information for FY2021/22, FY2022/23 and FY2023/24 has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The historical financial information has been prepared in accordance with HKFRSs under the historical cost conversion.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF CONTINUING OPERATIONS

Our results of operations, financial condition and future prospects have been, and will continue to be, affected by a number of factors, which primarily include the following:

There is no guarantee that our customers will provide us with new business

Our customers are under no obligation to award projects to us. During the Track Record Period, we secured new projects mainly through invitation for tender by customers. There is no assurance that we will be able to secure new contracts in the future. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business. For FY2021/22, FY2022/23 and FY2023/24, we recorded a tender success rate of approximately 33.9%, 28.4% and 29.0% respectively. Our Directors consider that our success rate on project tendering depends on a range of factors, which primarily include our pricing and tender strategy, competitors’ tender and pricing strategy, the availability of our resources and subcontractors, level of competition and our customers’ evaluation standards. There is no assurance that our Group could achieve the same or similar success rate in the future as we did during the Track Record Period. In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business, financial position and prospects of our Group could be materially and adversely affected.

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Fluctuation in our cost of services

Our cost of services mainly comprise (i) subcontracting fees; (ii) employee expenses; (iii) machinery and equipment leasing expenses; and (iv) cost of materials. Our major purchases primarily include subcontracting fees and cost of materials. Please refer to the paragraph headed “Business — Our suppliers” in this document for further details on our suppliers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of service revenue, employee expenses, subcontracting fees and cost of materials (being the major components of our cost of services) on our profit before income tax during the Track Record Period.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of the service revenue generated from civil engineering works, electrical cable engineering works and solar PV system works on our profit before income tax assuming other variables remain unchanged for the dates indicated. Fluctuations in our service revenue are assumed to be 30%, 40% and 50% based on the historical fluctuations of our Group during the Track Record Period.

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in service revenue			
+/- 30%	(+/-)131,646	(+/-)101,659	(+/-)156,902
+/- 40%	(+/-)175,528	(+/-)135,545	(+/-)209,202
+/- 50%	(+/-)219,411	(+/-)169,432	(+/-)261,503

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of the subcontracting fees on our profit before income tax assuming other variables remain unchanged for the dates indicated. Fluctuations in our subcontracting fees are assumed to be 30% and 40% based on the historical fluctuations of our Group during the Track Record Period.

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in subcontracting fees			
+/- 30%	(+/-)39,568	(+/-)29,369	(+/-)43,032
+/- 40%	(+/-)52,757	(+/-)39,159	(+/-)57,376

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For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of the employee expenses on our profit before income tax assuming other variables remain unchanged for the dates indicated. Fluctuations in our employee expenses are assumed to be 10% and 30% based on the historical fluctuations of our Group during the Track Record Period.

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in employee expenses			
+/- 10%	(+/-)8,855	(+/-)8,810	(+/-)11,261
+/- 30%	(+/-)26,564	(+/-)26,431	(+/-)33,782

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of materials on our profit before income tax assuming all other variables remain unchanged for the dates indicated. Fluctuations in our cost of materials are assumed to be 5% and 10% based on the average of CAGR for the price of steel reinforcement, portland cement, bitumen and diesel fuel (being the major components of our cost of materials) in Hong Kong from 2018 to 2022 as stated in the Industry Report (please refer to the paragraph headed “Industry Overview — Cost analysis of civil engineering and electrical construction works” in this document) and is therefore considered reasonable for the purpose of this sensitivity analysis.

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in cost of materials			
+/- 5%	(+/-)2,860	(+/-)2,195	(+/-)3,317
+/- 10%	(+/-)5,720	(+/-)4,391	(+/-)6,633

APPLICATION OF HKFRSs

For the purpose of preparing the financial information, our Group has adopted all effective new and revised HKFRSs which are mandatory for the financial year beginning from 1 April 2023 and have been consistently applied for the Track Record Period.

MATERIAL ACCOUNTING POLICIES

We have identified certain accounting policies which are material to the preparation of the financial information in accordance with HKFRSs. The determination of these accounting policies is fundamental to our financial positions and results of operations, and requires us to make significant judgments and estimation, further information on which is set forth in the paragraph

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headed “Critical accounting estimates and judgments” in this section. The following sets forth certain material accounting policies extracted from the Accountant’s Report, please refer to the Accountant’s Report for fullset of the our material accounting policies.

Revenue recognition

Revenue is recognised when or as the control of the assets is transferred to the customers. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the assets is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customers;
- creates and enhances an asset that the customer controls as our Group performs;
- does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

In control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict our performance in satisfying the performance obligation:

- direct measurements of the value transferred by our Group to the customer; or
- our effort or inputs to the satisfaction of the performance obligation.

(1) Construction contract

For construction contract, it is being eligible for recognition of revenue over time as our Group created or enhanced an asset that customers controlled as our Group performs its performance obligation. Our Group measures the progress of the projects in accordance with the input method. Under input method, revenue on construction contracts is recognised based on our efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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Variations in contract work, claims and incentive payments are included in transaction price to the extent that it is highly probable that a significant reversal of cumulative revenue recognised will not occur.

(2) Sales of materials

Sales of materials are recognised when a group entity has delivered products to the customer, the customer has full discretion over channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with sales contracts, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

(3) Leasing of machinery

Leasing of machinery is recognised in the Track Record Period in which the assets are leased out.

Contract assets and liabilities

When either party to a contract has performed, our Group presents the contract in the statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our right to consideration in exchange for the services that our Group has transferred to a customer. If the value transferred to customers by our Group exceeds the payment received or receivable, a contract asset is recognised. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables.

A contract liability is our obligation to render the services to a customer for which our Group has received consideration from the customer. A contract liability is recognised by our Group when the customer pays consideration in advance before our Group renders the service to the customer.

On the combined statement of financial position, our Group reports the net contract position for each contract as either an asset or a liability.

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Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial assets

Classification

Our Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For financial assets that are not held for trading, this will depend on whether our Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Our Group reclassifies debt investments when and only when its business model for managing those assets changes.

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Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which our Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and our Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, our Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in “other gains” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

Our Group classifies all of its debt instruments as amortised cost as they were held for collection of contractual cash flows and where those cash flows represent solely payments of principal and interest.

Impairment

Our Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, our Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statement of comprehensive income during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their costs net of their residual values over their estimated useful lives, as follows:

Leasehold improvement	Over the lease term or 5 years, whichever is shorter
Office equipment and furniture	5 years
Machineries	5–10 years
Motor vehicles	5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statement of comprehensive profit or loss.

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Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets

Construction licence acquired is recognised at fair value at the acquisition date. Licence that has indefinite useful lives are not amortised as renewal of licence is expected upon expiry. They are subject to impairment testing annually or more frequently if events or changes in circumstances indicate a potential impairment.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the combined statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless our Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of our financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise judgement in the process of applying our accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. For details of our critical accounting estimates and judgements, please refer to Note 4 to the Accountant’s Report.

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RESULTS OF OPERATIONS

The combined statements of profit or loss during the Track Record Period are summarised below, which are extracted from the Accountant’s Report:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Revenue	520,351	361,207	526,099
Cost of sales	(426,738)	(285,674)	(404,492)
Gross profit	93,613	75,533	121,607
General and administrative expenses	(20,360)	(22,827)	(23,561)
(Impairment loss)/reversal of impairment loss on financial assets	(3,176)	(8,641)	174
Other income	1,353	5,423	1,933
Other gains	414	75	10
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Operating profit	71,844	49,563	95,283
Finance costs, net	(1,334)	(1,916)	(2,367)
Profit before income tax	70,510	47,647	92,916
Income tax expenses	(11,455)	(7,082)	(16,009)
Profit for the year	59,055	40,565	76,907

Non-HKFRS financial measure

To supplement our combined financial statements which are presented in accordance with HKFRSs, we also presented the adjusted net profit (Non-HKFRS measure) and adjusted net profit margin (Non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with HKFRSs. We believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS financial measures provides useful information to [REDACTED] and management in facilitating a comparison of our operating performance from period to period. Such non-HKFRS financial measures allow [REDACTED] to consider matrices used by our management in evaluating our performance.

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The use of non-HKFRS financial measures has limitations as an analytical tool, and [REDACTED] should not consider these in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial conditions as reported in accordance with HKFRSs. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies.

We adjusted for certain items as our non-HKFRS financial measures, in order to provide [REDACTED] with an overall and fair understanding of our core operating results and financial performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance. [REDACTED] expenses are mainly expenses related to the [REDACTED] and are added back because they were incurred only for the purposes of the [REDACTED].

Adjusted net profit (Non-HKFRS measure)

We defined adjusted net profit (Non-HKFRS measure) as net profit for the year adjusted by adding back [REDACTED] expenses. The table below sets forth the adjusted net profit (Non-HKFRS measure) and the adjusted net profit margin (Non-HKFRS measure) for each respective year during the Track Record Period:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Profit for the year	59,055	40,565	76,907
<i>Adjusted:</i>			
[REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Adjusted net profit (Non-HKFRS measure) for the year	<u>59,055</u>	<u>40,565</u>	<u>81,787</u>
Adjusted net profit margin (Non-HKFRS measure) (%)	11.3%	11.2%	15.5%

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PRINCIPAL COMPONENTS OF THE COMBINED STATEMENTS OF PROFIT OR LOSS

Revenue

Our service revenue is principally generated from the provision of construction services, which can be broadly categorised as (i) civil engineering — site formation works; (ii) civil engineering — road and drainage works; (iii) electrical cable engineering works; and (iv) solar PV system works. To a lesser extent, we also derived our other revenue from leasing of machinery and sales of materials.

The following table sets forth the breakdown of our revenue by segments during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Civil engineering:	278,276	53.5	175,411	48.6	365,454	69.5
— <i>Site formation works</i>	263,022	50.6	114,596	31.8	309,429	58.8
— <i>Road and drainage works</i>	15,254	2.9	60,815	16.8	56,025	10.7
Electrical cable engineering	127,638	24.5	125,409	34.7	113,244	21.5
Solar PV system.	32,907	6.3	38,043	10.5	44,308	8.4
Total service revenue	438,821	84.3	338,863	93.8	523,006	99.4
Leasing of machinery.	37,774	7.3	14,917	4.1	1,029	0.2
Sales of materials.	43,756	8.4	7,427	2.1	2,064	0.4
Total other revenue	81,530	15.7	22,344	6.2	3,093	0.6
Total revenue	520,351	100	361,207	100	526,099	100

Service revenue

Our total service revenue decreased from approximately HK\$438.8 million for FY2021/22 to approximately HK\$338.9 million for FY2022/23 and recovered to approximately HK\$523.0 million for FY2023/24. This overall trend of our service revenue was mainly driven by the trend of our service revenue from site formation works, which decreased from approximately HK\$263.0 million for FY2021/22 to approximately HK\$114.6 million for FY2022/23 and recovered to approximately HK\$309.4 million for FY2023/24.

During the Track Record Period, our service revenue was mainly contributed by the Third Runway Projects for site formation works and the Master Agreement A and the Master Agreement B for electrical cable engineering works.

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Civil engineering — Site formation works

During the Track Record Period, the Third Runway Projects were our major site formation works projects. The Third Runway Projects are a public sector project in which we acted as subcontractor. The Third Runway Projects comprised our five projects at the Hong Kong International Airport within our project portfolio, of which three were our top five projects during the Track Record Period in terms of revenue, namely Project No. #01, Project No. #07 and Project No. #08. The following table sets forth the breakdown of our service revenue from site formation works by the Third Runway Projects and non-Third Runway Projects during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24				
	No. of projects	Revenue	No. of projects	Revenue	No. of projects	Revenue			
		HK\$'000	%	HK\$'000	%	HK\$'000	%		
Third Runway Projects.	1	254,576	96.8	4	92,699	80.9	4	241,225	78.0
Non-Third Runway Projects (Note)	3	8,446	3.2	6	21,897	19.1	10	68,204	22.0
Total service revenue from site formation works	4	263,022	100	10	114,596	100	14	309,429	100

Note: For FY2021/22, the non-Third Runway Projects were mainly miscellaneous private sector projects. For FY2022/23, the non-Third Runway Projects mainly included Project No. #09 and other miscellaneous public sector projects. For FY2023/24, the non-Third Runway Projects mainly included Project No. #09, Project No. #10 and Project No. #11.

The significant decrease in our service revenue from site formation works from approximately HK\$263.0 million for FY2021/22 to approximately HK\$114.6 million for FY2022/23 was mainly attributable to the decrease in service revenue contributed by the Third Runway Projects. The significant decrease in service revenue contributed by the Third Runway Projects for FY2022/23 was mainly because Project No. #01 was substantially completed towards the end of FY2021/22 and as a result contributed a substantially lower amount of service revenue for FY2022/23. At the same time, Project No. #07 (with contract sum of approximately HK\$577.1 million) and Project No. #08 (with contract sum of approximately HK\$189.2 million) only commenced in December 2022 and July 2022, respectively, which mean that the significant portion of these two projects has not yet been recognised during FY2022/23.

During FY2023/24, as we completed more works especially for Project No. #07, we recognised service revenue of approximately HK\$171.6 million for that project. In addition, we also worked on other non-Third Runway Projects, which led to the recovery of our service revenue

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from site formation works for FY2023/24. For example, we commenced works on our new Project No. #10 (with contract sum of approximately HK\$60.7 million) in Yuen Long and recognised service revenue of approximately HK\$17.9 million for FY2023/24.

While our service revenue from site formation works was mainly contributed by the Third Runway Projects, the portion of which decreased from approximately 96.8% for FY2021/22 to approximately 80.9% for FY2022/23 and to approximately 78.0% for FY2023/24. In respect of service revenue from non-Third Runway Projects, the amount of service revenue from which increased from approximately HK\$8.4 million for FY2021/22 to approximately HK\$21.9 million for FY2022/23 and further increased to approximately HK\$68.2 million for FY2023/24. Such increases were mainly due to the number of non-Third Runway Projects year-on-year.

Civil engineering — Road and drainage works

Our service revenue from road and drainage works increased from approximately HK\$15.3 million for FY2021/22 to approximately HK\$60.8 million for FY2022/23, which was mainly attributable to (i) the increase in service revenue contributed by Project No. #06 (being a public sector project with contract sum of approximately HK\$99.1 million) in Mui Wo as we completed more works during FY2022/23 and recognised service revenue of approximately HK\$26.1 million; and (ii) increase in service revenue contributed by a public sector project in Tai Po with contract sum of approximately HK\$30.0 million in which we recognised service revenue of approximately HK\$12.3 million for FY2022/23.

Our service revenue from road and drainage works remained relatively stable at approximately HK\$60.8 million and HK\$56.0 million for FY2022/23 and FY2023/24, respectively.

Electrical cable engineering works

Our service revenue from electrical cable engineering works amounted to approximately HK\$127.6 million, HK\$125.4 million and HK\$113.2 million for FY2021/22, FY2022/23 and FY2023/24, respectively. Such trend is generally underlined by the Master Agreement A and Master Agreement B which are fixed-term contracts, and the aggregate revenue attributable to which amounted to approximately HK\$113.5 million, HK\$123.6 million and HK\$113.1 million for FY2021/22, FY2022/23 and FY2023/24, respectively.

Our service revenue from electrical cable engineering works remained relatively stable for FY2021/22 and FY2022/23.

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The slight decrease in service revenue from electrical cable engineering works during FY2023/24 was mainly due to the decrease in the service revenue contributed by the Master Agreement A and the Master Agreement B during FY2023/24 which was driven by the amount of orders we performed thereunder.

Solar PV system works

Our service revenue from solar PV system works exhibited a steady growth, which increased from approximately HK\$32.9 million for FY2021/22 to approximately HK\$38.0 million for FY2022/23, and further increased to approximately HK\$44.3 million for FY2023/24. Such increase was mainly due to the increase in the number of solar PV system works projects year to year.

The following table sets forth the breakdown of our service revenue during the Track Record Period by reference to project sectors:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector	288,036	65.6	197,743	58.4	382,976	73.2
Private sector	150,785	34.4	141,120	41.6	140,030	26.8
Total service revenue	438,821	100	338,863	100	523,006	100

During the Track Record Period, our key public sector projects mainly included the Third Runway Projects, which contributed approximately HK\$254.6 million, HK\$92.7 million and HK\$241.2 million for FY2021/22, FY2022/23 and FY2023/24, respectively, representing approximately 88.4%, 46.9% and 63.0% of our service revenue from public sector projects for the corresponding years, while our key private sector projects mainly included our projects under the Master Agreement A and the Master Agreement B which in aggregate contributed approximately HK\$113.5 million, HK\$123.6 million and HK\$113.1 million for FY2021/22, FY2022/23 and FY2023/24, respectively, representing approximately 75.3%, 87.6% and 80.8% of our service revenue from private sector projects for the corresponding years.

The changes in the contribution of our service revenue from public and private sector projects during the Track Record Period was mainly driven by the fluctuation of service revenue contributed by the Third Runway Projects, which was mainly because one of our Third Runway Projects, namely Project No. #01, was substantially completed towards the end of FY2021/22 and as a result contributed a substantially lower amount of service revenue for FY2022/23, while at the same time the aggregated service revenue contributed by the Master Agreement A and the Master Agreement B remained relatively stable during the Track Record Period.

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The following table sets forth the breakdown of our service revenue by our role as main contractor or subcontractor during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	17,353	4.0	63,078	18.6	58,136	11.1
Subcontractor	421,468	96.0	275,785	81.4	464,870	88.9
Total service revenue	438,821	100	338,863	100	523,006	100

During the Track Record Period, our service revenue was mainly contributed by projects in which we acted as subcontractor, mainly for site formation works and electrical cable engineering works projects. On the other hand, we mainly acted as main contractor for road and drainage works.

The details of our top five projects for each financial year of the Track Record Period in terms of revenue are set out in the paragraph headed “Business — Projects undertaken during the Track Record Period” in this document.

Other revenue

To a limited extent, we leased machinery and traded construction materials mainly to subcontractors on an ad hoc basis during the Track Record Period and earned other revenue, which were ad hoc and ancillary to our construction services. The majority of our other revenue from leasing of machinery and sales of materials during the Track Record Period was mainly in respect of the Third Runway Projects. For instance, in Project No. #01, we leased equipment such as excavator, crawler crane for site works to the main contractor. In the same project, we supplied construction materials such as sewers, drains, pipe culverts, ducts, trench drains and manholes to them as well.

Our other revenue decreased substantially from approximately HK\$81.5 million for FY2021/22 to approximately HK\$22.3 million for FY2022/23 and further decreased to approximately HK\$3.1 million for FY2023/24.

The majority of our other revenue for FY2021/22 and FY2022/23 was attributable to Project No. #01 which had a heavy demand on both machinery and materials. The significant decrease in our other revenue (including revenue from leasing of machinery and sales of materials) from FY2021/22 to FY2022/23 was mainly driven by the completion of Project No. #01, which was substantially completed towards the end of FY2021/22. Following the completion of Project No. #01, our other revenue further decreased from FY2022/23 to FY2023/24.

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Cost of services

The table below sets forth the breakdown of our overall cost of services during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	131,893	30.9	97,897	34.3	143,439	35.5
Employee expenses	88,546	20.7	88,102	30.8	112,608	27.8
Machinery and equipment leasing expenses	96,327	22.6	9,501	3.3	24,760	6.1
Material costs	57,201	13.4	43,909	15.4	66,333	16.4
Fuel and oil expenses	20,534	4.8	8,087	2.8	16,006	4.0
Depreciation of property and equipment	8,510	2.0	10,384	3.6	10,899	2.7
Depreciation of right-of-use assets	2,171	0.5	2,173	0.8	1,014	0.2
Project consultancy cost	3,451	0.8	4,594	1.6	5,979	1.5
Others ^(Note)	18,105	4.3	21,027	7.4	23,454	5.8
Total cost of services (overall)	426,738	100	285,674	100	404,492	100

Note: Others mainly include the cost of repair and maintenance of our machineries, equipment and motor vehicles and insurance expenses.

The following table sets forth the breakdown of our cost of services for site formation works during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	79,404	34.7	39,294	38.6	102,384	41.3
Employee expenses	35,226	15.4	19,622	19.3	46,981	19.0
Machinery and equipment leasing expenses	75,742	33.1	7,367	7.2	22,190	9.0
Material costs	3,798	1.7	10,811	10.6	39,491	15.9
Fuel and oil expenses	19,446	8.5	5,378	5.3	13,493	5.4
Depreciation of property and equipment	4,867	2.1	7,802	7.7	8,792	3.5
Depreciation of right-of-use assets	997	0.4	998	1.0	1,014	0.4
Project consultancy cost	3,063	1.3	2,753	2.7	3,713	1.5
Others ^(Note)	6,596	2.9	7,787	7.6	9,835	4.0
Total cost of services (site formation works)	229,139	100	101,812	100	247,893	100

Note: Others mainly include the cost of repair and maintenance of our machineries, equipment and motor vehicles and insurance expenses.

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The following table sets forth the breakdown of our cost of services for road and drainage works during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	4,244	34.7	19,925	38.8	20,753	45.9
Employee expenses	3,313	27.1	13,763	26.8	12,199	27.0
Machinery and equipment leasing expenses	41	0.3	445	0.9	846	1.9
Material costs.	1,120	9.2	10,734	20.9	6,166	13.6
Fuel and oil expenses.	14	0.1	157	0.3	190	0.4
Depreciation of property and equipment.	20	0.2	343	0.7	442	1.0
Project consultancy cost.	375	3.1	1,797	3.5	2,188	4.8
Others ^(Note)	3,089	25.3	4,250	8.3	2,472	5.5
Total cost of services (road and drainage works)	12,216	100	51,414	100	45,256	100

Note: Others mainly include the cost of repair and maintenance of our machineries, equipment and motor vehicles and insurance expenses.

The following table sets forth the breakdown of our cost of services for electrical cable engineering works during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	36,564	35.9	29,739	31.0	12,913	16.3
Employee expenses	40,719	40.0	48,641	50.7	48,115	60.8
Machinery and equipment leasing expenses	861	0.8	450	0.5	1,155	1.5
Material costs.	12,905	12.7	5,699	5.9	6,532	8.3
Fuel and oil expenses.	1,036	1.0	2,271	2.4	2,118	2.7
Depreciation of property and equipment.	3,623	3.6	2,201	2.3	1,665	2.1
Depreciation of right-of-use assets	1,174	1.2	1,174	1.2	—	—
Project consultancy cost.	13	0.0	44	0.0	78	0.1
Others ^(Note)	4,976	4.9	5,734	6.0	6,520	8.2
Total cost of services (electrical cable engineering works)	101,871	100	95,953	100	79,096	100

Note: Others mainly include the cost of repair and maintenance of our machineries, equipment and motor vehicles and insurance expenses.

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The following table sets forth the breakdown of our cost of services for solar PV system works during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting fees	11,682	37.0	8,939	29.5	7,389	24.4
Employee expenses	4,734	15.0	4,222	13.9	4,872	16.1
Machinery and equipment leasing expenses	291	0.9	122	0.4	266	0.9
Material costs	12,358	39.1	14,138	46.6	13,304	43.9
Fuel and oil expenses	38	0.1	282	0.9	205	0.7
Depreciation of property and equipment	—	—	38	0.1	—	—
Others ^(Note)	2,480	7.9	2,606	8.6	4,251	14.0
Total cost of services (solar PV system works)	31,583	100	30,347	100	30,287	100

Note: Others mainly include the cost of repair and maintenance of our machineries, equipment and motor vehicles and insurance expenses.

Our cost of services during the Track Record Period comprised the followings:

Subcontracting fees

Our subcontracting fees represented the costs for engaging subcontractors. Our subcontracting fees amounted to approximately HK\$131.9 million, HK\$97.9 million and HK\$143.4 million for FY2021/22, FY2022/23 and FY2023/24, respectively. The decrease in our subcontracting fee for FY2022/23 was mainly due to the completion of Project No. #01. In addition, during the Track Record Period, we deployed more direct labour in our projects year-on-year and reduced the use of subcontractors in our electrical cable engineering works and solar PV system works segments as we employed more direct labour. In particular, we had 88, 108 and 113 workers deployed for electrical cable engineering works projects as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. As a result of the foregoing, our subcontracting fee, as a percentage of service revenue, decreased from 30.1%, 28.9% to 27.4% for FY2021/22, FY2022/23 and FY2023/24, respectively.

Employee expenses

Our employee expenses represented our staff costs in respect of our staff who were directly involved in carrying out site works, and our staff who were responsible for project management and supervision.

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Our employee expenses amounted to approximately HK\$88.5 million, HK\$88.1 million and HK\$112.6 million for FY2021/22, FY2022/23 and FY2023/24, respectively. Our cost of employee expenses remained stable for FY2021/22 and FY2022/23. Our employee expenses increased from approximately HK\$88.1 million for FY2022/23 to HK\$112.6 million for FY2023/24, which was mainly due to the increase in the number of our staff.

Machinery and equipment leasing expenses

Our machinery and equipment leasing expenses represented the rental for the lease of machinery to supplement our own machinery fleet.

Our machinery and equipment leasing expenses amounted to approximately HK\$96.3 million, HK\$9.5 million and HK\$24.8 million for FY2021/22, FY2022/23 and FY2023/24, respectively. The significant decrease in our machinery and equipment leasing expenses from approximately HK\$96.3 million for FY2021/22 to approximately HK\$9.5 million for FY2022/23 was mainly due to the significant decrease in demand on machinery and equipment for FY2022/23 for Project No. #01, which was substantially completed towards end of FY2021/22. The following table sets forth the amount and proportion of our machinery and equipment leasing expenses attributable to Project No. #01 during the Track Record Period:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machinery and equipment leasing expenses attributable to Project No. #01	75,742	6,264	N/A ^(Note)
Total machinery and equipment leasing expenses	96,327	9,501	24,760
Percentage of machinery and equipment leasing expenses attributable to Project No. #01 to total machinery and equipment leasing expenses	78.6%	65.9%	N/A ^(Note)

Note: Project No. #01 was completed in June 2022.

In addition, as we began to acquire additional machinery in FY2021/22 for our own use, we incurred less machinery and equipment leasing expenses for FY2022/23 and FY2023/24. Therefore, our machinery and equipment leasing expenses represented approximately 22.0%, 2.8% and 4.7% of our service revenue for FY2021/22, FY2022/23 and FY2023/24, respectively.

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Our machinery and equipment leasing expenses increased from approximately HK\$9.5 million for FY2022/23 to approximately HK\$24.8 million for FY2023/24 which was mainly due to a higher demand on our machinery and equipment for projects including Project No. #07 and Project No. #08 during FY2023/24.

Material costs

Our material costs represented costs for construction materials required for performing our project works, such as structural steel, concrete, PVC panel and solar PV panels.

Consumption of construction materials and their costs may vary from project to project, as (i) the consumption of raw materials varies according to different types of works performed. For example, the use of PVC panel is usually higher in electrical cable engineering projects, roads and drainage projects than in site formation work projects; and (ii) the cost of construction materials may be borne by us or by our customers or subcontractors depending on our contract terms with different customers and subcontractors, resulting in fluctuations in the proportions of these costs from project to project.

Our material costs decreased from approximately HK\$57.2 million for FY2021/22 to approximately HK\$43.9 million for FY2022/23, and further increased to approximately HK\$66.3 million for FY2023/24, which was mainly due to the amount of raw materials purchased for projects that commenced during FY2022/23 and FY2023/24.

Depreciation of property and equipment

Our depreciation of property and equipment mainly represented the depreciation in respect of our machinery and equipment used for our projects. Our depreciation of property and equipment amounted to approximately HK\$8.5 million, HK\$10.4 million and HK\$10.9 million for FY2021/22, FY2022/23 and FY2023/24, respectively. The increase in FY2022/23 was mainly driven by the additional machinery we acquired during FY2021/22, the depreciation of which began to take effect in FY2022/23. Our depreciation of property and equipment remained relatively stable for FY2022/23 and FY2023/24, respectively.

Fuel and oil costs

Our fuel and oil expenses primarily represented the cost of fuel consumed for our machinery and equipments. Our fuel and oil expenses decreased from approximately HK\$20.5 million for FY2021/22 to approximately HK\$8.1 million, which was mainly due to the substantial completion of Project No. #01 during FY2021/22.

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Our fuel and oil expenses increased from approximately HK\$8.1 million for FY2022/23 to approximately HK\$16.0 million, which was mainly due to a higher demand on fuel for the machinery and equipment for projects including Project No. #07 and Project No. #08 during FY2023/24.

Gross profit and gross profit margin

The following table sets forth the breakdown of our service gross profit and service gross profit margin in respect of our service revenue by types of works for the years indicated:

	FY2021/22		FY2022/23		FY2023/24	
	Gross		Gross		Gross	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Civil engineering						
— Site formation works	33,885	12.9	12,783	11.2	61,535	19.9
— Road and drainage works	3,038	19.9	9,401	15.5	10,769	19.2
Electrical cable engineering	25,767	20.2	29,456	23.5	34,148	30.2
Solar PV system	1,324	4.0	7,696	20.2	14,021	31.6
Total service gross profit/gross profit margin	64,014	14.6	59,336	17.5	120,473	23.0

Our service gross profit margin is generally affected by factors such as, among others, the work progress and stage of the projects, the proportion of works performed by our subcontractors and our direct labour, the deployment of leased or our own machinery and the cost of the materials required for the projects.

Civil engineering — Site formation works

Our service gross profit margin of site formation works remained relatively stable at approximately 12.9% and 11.2% for FY2021/22 and FY2022/23, respectively, and increased sharply to approximately 19.9% for FY2023/24.

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The following table sets forth the percentage of our cost of services by nature to the service revenue in respect of site formation works for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
Subcontracting fees	30.2%	34.3%	33.1%
Employee expenses	13.4%	17.1%	15.2%
Machinery and equipment leasing expenses	28.8%	6.4%	7.2%
Material costs	1.4%	9.4%	12.8%
Fuel and oil expenses	7.4%	4.7%	4.4%
Depreciation of property and equipment	1.9%	6.8%	2.8%
Depreciation of right-of-use assets	0.4%	0.9%	0.3%
Project consultancy cost	1.2%	2.4%	1.2%
Others	2.5%	6.8%	3.2%

For FY2021/22, our service revenue from site formation works and the related cost of services were substantially attributable to Project No. #01, in which the service revenue attributable to Project No. #01 accounted for approximately 96.8% of our service revenue from site formation works for FY2021/22. Following our substantial completion of works for Project No. #01 towards the end of FY2021/22 (i.e. more works were performed in FY2021/22 than in FY2022/23) and acquiring additional machinery during the same year (in which we incurred approximately HK\$17.7 million), we incurred substantially less machinery and equipment leasing expenses for FY2022/23 in which the proportion of machinery and equipment leasing expenses to our service revenue from site formation works decreased from approximately 28.8% for FY2021/22 to approximately 6.4% for FY2022/23. The upward effect on our service gross profit margin of the abovementioned was partially offset by (i) the increase in purchase of raw materials for the new projects including Project No. #07 that commenced during FY2022/23 in which the proportion of material costs to our service revenue from site formation works increased from approximately 1.4% for FY2021/22 to approximately 9.4% for FY2022/23; and (ii) the increase in the proportion of our subcontracting fees and employee expenses to our service revenue for site formation works from approximately 30.2% and 13.4% for FY2021/22, respectively, to approximately 34.3% and 17.1% for FY2022/23, respectively. The resultant effect of the above was that our service gross profit margin for site formation works remained relatively stable for FY2021/22 and FY2022/23.

During FY2023/24, we continued to incur substantially less machinery and equipment leasing expenses in proportion by deploying our own machinery resulting in overall saving of our cost of services resulting in an improved service gross profit margin for site formation works for FY2023/24.

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Civil engineering — Road and drainage works

The following table sets forth the percentage of our cost of services by nature to the service revenue in respect of road and drainage works for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
Subcontracting fees	27.8%	32.8%	37.0%
Employee expenses	21.7%	22.6%	21.8%
Machinery and equipment leasing expenses.	0.3%	0.7%	1.5%
Material costs	7.3%	17.7%	11.0%
Fuel and oil expenses	0.1%	0.3%	0.3%
Depreciation of property and equipment . . .	0.1%	0.6%	0.8%
Project consultancy cost	2.5%	3.0%	3.9%
Others	20.3%	7.0%	4.4%

Our service gross profit margin for road and drainage works decreased from approximately 19.9% for FY2021/22 to approximately 15.5% for FY2022/23, and recovered to approximately 19.2% for FY2023/24. The decrease in service gross profit margin for road and drainage works from FY2021/22 to FY2022/23 was mainly because we incurred a higher subcontracting fees and costs for purchasing of raw materials for projects including Project No. #06, in which (i) the proportion of subcontracting fees to our service revenue from road and drainage works increased from approximately 27.8% for FY2021/22 to approximately 32.8% for FY2022/23; and (ii) the proportion of material costs to our service revenue from road and drainage works increased from approximately 7.3% for FY2021/22 to approximately 17.7% for FY2022/23.

Electrical cable engineering works

The following table sets forth the percentage of our cost of services by nature to the service revenue in respect of electrical cable engineering works for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
Subcontracting fees	28.6%	23.7%	11.4%
Employee expenses	31.9%	38.8%	42.5%
Machinery and equipment leasing expenses.	0.7%	0.4%	1.0%
Material costs	10.1%	4.5%	5.8%
Fuel and oil expenses	0.8%	1.8%	1.9%
Depreciation of property and equipment . . .	2.8%	1.8%	1.5%
Depreciation of right-of-use assets	0.9%	0.9%	0.0%
Project consultancy cost	0.0%	0.0%	0.1%
Others	3.9%	4.6%	5.8%

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Our service gross profit margin for electrical cable engineering works increased steadily during the Track Record Period, which increased from approximately 20.2% for FY2021/22 to approximately 23.5% for FY2022/23 and further increased to approximately 30.2% for FY2023/24. The steady improvement in our service gross profit margin for electrical cable engineering works was mainly because during the Track Record Period we gradually deployed more direct labour and reduced the use of subcontractors such that we were able to save the mark-up from our subcontractors, in which the proportion of subcontracting fees to our service revenue from electrical cable engineering works decreased from approximately 28.6% for FY2021/22 to approximately 23.7% for FY2022/23 to approximately 11.4% for FY2023/24 while the proportion of employee expenses increased from approximately 31.9% for FY2021/22 to approximately 38.8% for FY2022/23 to approximately 42.5% for FY2023/24.

Solar PV system works

The following table sets forth the percentage of our cost of services by nature to the service revenue in respect of solar PV system works for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
Subcontracting fees	35.5%	23.5%	16.7%
Employee expenses	14.4%	11.1%	11.0%
Machinery and equipment leasing expenses.	0.9%	0.3%	0.6%
Material costs	37.6%	37.2%	30.0%
Fuel and oil expenses	0.1%	0.7%	0.5%
Depreciation of property and equipment . . .	0.0%	0.1%	0.0%
Others	7.5%	6.9%	9.6%

Our service gross profit margin for solar PV system works increased significantly from approximately 4.0% for FY2021/22 to approximately 20.2% for FY2022/23 and further increased to approximately 31.6% for FY2023/24. The improvement in our service gross profit margin for solar PV system works was mainly because during the Track Record Period, (i) we gradually deployed more direct labour, in which the proportion of subcontracting fees to our service revenue from solar PV system works substantially decreased from approximately 35.5% for FY2021/22 to approximately 23.5% for FY2022/23 to approximately 16.7%; and (ii) the significant decrease in cost of our key raw materials such as solar PV panels during FY2023/24, in which the proportion of material costs decreased from approximately 37.2% for FY2022/23 to approximately 30.0% for FY2023/24.

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The following table sets forth the breakdown of our service gross profit and service gross profit margin in respect of our service revenue by reference to project sectors during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector	36,734	12.8	33,742	17.1	75,331	19.7
Private sector	27,280	18.1	25,594	18.1	45,143	32.2
Total service gross profit/gross profit margin	64,014	14.6	59,336	17.5	120,474	23.0

During the Track Record Period, our public sector projects were mainly site formation works projects and road and drainage works projects; and our private sector projects were mainly electrical cable engineering works projects. Our service gross profit margin for private sector projects was higher than that for public sector projects during the Track Record Period, which was driven by our electrical cable engineering works projects.

The following table sets forth the breakdown of our service gross profit and service gross profit margin in respect of our service revenue by our role as main contractor or subcontractor during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Main contractor	3,427	19.7	10,261	16.3	13,204	22.7
Subcontractor	60,587	14.4	49,075	17.8	107,270	23.1
Total service gross profit/gross profit margin	64,014	14.6	59,336	17.5	120,474	23.0

During the Track Record Period, we mainly acted as subcontractor in site formation works projects and electrical cable engineering works projects, and we mainly acted as main contractor in road and drainage works projects. For FY2021/22, our relatively lower service gross profit margin as subcontractor for FY2021/22 was mainly driven by Project No. #01 which was mainly driven by the high proportion of machinery and equipment leasing expenses to service revenue.

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Leasing of machinery and sales of materials (i.e. other revenue)

The following table sets forth the breakdown of our gross profit and gross profit margin from leasing of machinery and sales of materials during the Track Record Period:

	FY2021/22		FY2022/23		FY2023/24	
	Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Leasing of machinery	18,274	48.4	13,745	92.1	720	70.0
Sales of materials	11,325	25.9	2,452	33.0	414	20.1
Total gross profit/gross profit margin for leasing of machinery and sales of materials.	29,599	36.3	16,197	72.5	1,134	36.7

The gross profit in respect of our revenue (comprising leasing of machinery and sales of materials) amounted to approximately HK\$29.6 million, HK\$16.2 million and HK\$1.1 million for FY2021/22, FY2022/23 and FY2023/24, respectively, representing a gross profit margin of approximately 36.3%, 72.5% and 36.7% for the corresponding years, respectively. The increase in the gross profit margin from FY2021/22 to FY2022/23 was mainly driven by leasing of machinery which contributed a higher amount of gross profit and gross profit margin than that of sales of materials for the corresponding financial year. Regarding leasing of machinery for FY2021/22 and FY2022/23, the other revenue and the related gross profit were substantially attributable to Project No. #01, which had a heavy demand on machinery that we leased such as excavator, crawler crane for site works to the main contractor, of which (i) for FY2021/22, those machinery was mainly machinery which we leased from other vendors; and (ii) for FY2022/23, those machinery was mainly our self-owned machinery which had been fully depreciated. As a result, the gross profit margin of leasing for FY2022/23 was higher than that for FY2021/22. For FY2023/24 (i.e. Project No. #01 had been completed), on an ad hoc basis, we leased to our customers both our self-owned fully-depreciated machinery and leased machinery from other vendors but the scale was substantially lower than the previous two financial years, and as a result the gross profit margin decreased.

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General and administrative expenses

The following table sets forth the breakdown of our general and administrative expenses for the years indicated:

	FY2021/22		FY2022/23		FY2023/24	
	HK'000	%	HK'000	%	HK'000	%
Employee expenses	7,152	35.2	8,863	38.8	10,010	42.5
Office expenses	3,568	17.5	4,367	19.1	5,018	21.3
Entertainment and travelling expenses . .	2,203	10.8	4,816	21.1	3,040	12.9
Auditor’s remuneration.	508	2.5	246	1.1	188	0.8
Depreciation of property and equipment.	511	2.5	545	2.4	471	2.0
Depreciation of right-of-use assets	868	4.3	1,366	6.0	1,446	6.1
Insurance	430	2.1	59	0.3	46	0.2
Motor vehicles expenses.	1,030	5.1	389	1.7	683	2.9
Legal and professional fees	1,814	8.9	1,121	4.9	1,678	7.1
Donation and sponsorship	271	1.3	411	1.8	253	1.1
Other expenses ^(note)	2,005	9.8	644	2.8	728	3.1
Total general and administrative expenses.	20,360	100	22,827	100	23,561	100

Note: Other expenses mainly include the employees’ compensation and medical expenses for staff.

Our general and administrative expenses during the Track Record Period comprised the followings:

Employee expenses

Our employee expenses represented our staff costs in respect of our back office staff. Our employee expenses increased from approximately HK\$7.2 million FY2021/22 to approximately HK\$8.9 million for FY2022/23, and further increased to approximately HK\$10.0 million for FY2023/24. Such increasing trend was mainly due to the increase in the number of our finance and administration staff.

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Office expenses

Our office expenses mainly represented office utilities expenses in respect of our back office staff. Our office expenses amounted to approximately HK\$3.6 million, HK\$4.4 million and HK\$5.0 million for FY2021/22, FY2022/23 and FY2023/24, respectively. Our office expenses increased during the Track Record Period, which was in line in the increase in the number of back office staff.

Entertainment and travelling expenses

Our entertainment and travelling expenses mainly represented social and business development events in which we were keen to maintain customer relationship. Our entertainment and travelling expenses amounted to approximately HK\$2.2 million, HK\$4.8 million and HK\$3.0 million for FY2021/22, FY2022/23 and FY2023/24, respectively. Our entertainment and travelling expenses increased during FY2022/23, which was considered necessary by our executive Directors for connecting with our different business partners following the relaxation in social distancing measures.

(Impairment losses)/reversal of impairment loss on financial assets

Impairment losses on financial assets represented the movement of provision for impairment loss on trade receivables, retention receivables and contract assets during the Track Record Period. The following table sets forth the movement of balance of provision for impairment losses on trade receivables, retention receivables and contract assets during the Track Record Period:

	Trade receivables	Retention receivables	Contract assets	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for impairment:				
As at 1 March 2021	210	101	588	899
Movement during FY2021/22	1,323	91	1,762	3,176
As at 31 March 2022	1,533	192	2,350	4,075
Movement during FY2022/23	4,298	(88)	4,431	8,641
As at 31 March 2023	5,831	104	6,781	12,716
Movement during FY2023/24	(743)	192	377	(174)
As at 31 March 2024	5,088	296	7,158	12,542

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Other income

The following table sets forth the breakdown of our other income for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Other income			
Subsidies			
— Government	—	4,179	305
— Construction Industry Council	143	640	1,337
Other	1,210	604	291
Total other income	1,353	5,423	1,933

Our other income mainly represented subsidies from the Government and the Construction Industry Council. The increase in our other income from approximately HK\$1.4 million for FY2021/22 to approximately HK\$5.4 million for FY2022/23 was mainly due to the subsidy granted under the Employment Support Scheme of the Anti-Epidemic Fund of the Government.

Other gains

Our other gains for FY2021/22 and FY2022/23 represented the net gain on disposal of subsidiaries. For FY2021/22, we recorded approximately HK\$0.4 million gain on disposal of our subsidiary, namely Creative Sun Engineering. For FY2022/23, we recorded approximately HK\$75,000 gain on disposal of our subsidiary, namely Wing Lee Property Investments. For details of the background of the above disposals of subsidiaries, please refer to the paragraph headed “History, Development and Reorganisation — Disposals during the Track Record Period” in this document. For FY2023/24, we recorded approximately HK\$10,000 gain on disposal of our motor vehicle.

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Finance costs, net

The following table sets forth the breakdown of our net finance costs for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Finance income:			
— Interest income from bank deposits	—*	—*	—*
Finance costs:			
— Interest expense on borrowings	(699)	(1,169)	(1,607)
— Interest expense of lease liabilities	(150)	(104)	(98)
— Interest expense on hire purchase	(485)	(643)	(662)
	<u>(1,334)</u>	<u>(1,916)</u>	<u>(2,367)</u>
Finance cost, net	<u>(1,334)</u>	<u>(1,916)</u>	<u>(2,367)</u>

*: *The amount is less than HK\$1,000.*

Interest expense on borrowings is the major component of our net finance cost. Our interest expense on borrowings increased during the Track Record Period, which was in line with the increase in our borrowings.

Income tax expenses

The following table sets forth the breakdown of our income tax expenses for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Current income tax	11,156	7,465	13,983
Deferred income tax	299	(383)	2,026
Total income tax expenses	<u>11,455</u>	<u>7,082</u>	<u>16,009</u>

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Our income tax expenses included provision made for Hong Kong profits tax and movement of deferred income tax assets. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period, except for one subsidiary of our Company that is qualified under the tow-tiered profits tax regime, under which the first HK\$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

For FY2021/22, FY2022/23 and FY2023/24, our effective tax rate, which is calculated by dividing income tax expenses by profit before income tax, was approximately 16.2%, 14.9% and 17.2%, respectively. The decrease in our effective tax rate for FY2022/23 was mainly because our subsidy received under the Employment Support Scheme was not taxable.

Net profit and net profit margin

As a result of the foregoing, our net profit for FY2021/22, FY2022/23 and FY2023/24 amounted to approximately HK\$59.1 million and HK\$40.6 million and HK\$76.9 million, respectively. Our net profit margin for FY2021/22, FY2022/23 and FY2023/24 was approximately 11.3%, 11.2% and 14.6%, respectively.

Excluding the [REDACTED] expenses incurred for the [REDACTED] exercise, our adjusted net profit (Non-HKFRS measure) and adjusted net profit margin (Non-HKFRS measure) for FY2023/24 would be approximately HK\$81.8 million and 15.5% respectively. For details, please refer to the paragraph headed “Results of operations — Non-HKFRS financial measure” in this section.

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LIQUIDITY AND CAPITAL RESOURCES

Net current assets

	As at 31 March			As at 31 July
	2022	2023	2024	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i> (unaudited)
Current assets				
Inventories	—	—	469	—
Trade receivables	60,912	36,948	48,191	42,349
Contract assets	124,543	134,548	187,895	237,375
Deposits, prepayments and other receivables	3,810	8,474	9,099	13,436
Amounts due from Directors	—	13,046	—	—
Amounts due from related parties	4,171	4,160	—	—
Cash and cash equivalents	13,343	5,470	27,361	19,653
Total current assets	206,779	202,646	273,015	312,813
Current liabilities				
Trade and retention payables	75,210	45,089	79,419	95,718
Contract liabilities	9,412	566	4,073	—
Accruals, provision and other payables	25,676	13,812	46,548	47,917
Amounts due to Directors	6,220	—	—	—
Amounts due to related parties	196	197	100	—
Lease liabilities	3,048	2,399	1,954	2,504
Borrowings	36,384	42,270	42,203	29,637
Current income tax liabilities	16,599	20,548	12,648	20,719
Total current liabilities	172,745	124,881	186,945	196,495
Net current assets	34,034	77,765	86,070	116,318

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Our net current assets increased over the Track Record Period, which was mainly contributed by our net cash generated from operating activities and the increase in our working capital.

Our net current assets increased significantly from approximately HK\$34.0 million as at 31 March 2022 to approximately HK\$77.8 million as at 31 March 2023. Such increase was mainly because the decrease in our current liabilities outweighed the decrease in our current assets. The decrease in our current assets was mainly driven by the net cash outflow from investing and financing activities, while the decrease in our current liabilities was mainly driven by the decrease in our trade and retention payables and accruals, provision and other payables.

Our net current assets increased from approximately HK\$77.8 million as at 31 March 2023 to approximately HK\$86.1 million as at 31 March 2024. Such increase was mainly because the increase in our current assets outweighed the increase in our current liabilities. The increase in our current assets was mainly driven by the net cash inflow from operating activities and the increase in our contract assets, while the increase in our current liabilities was mainly driven by the increase in trade and retention payables and accruals, provision and other payables.

Our net current assets increased from approximately HK\$86.1 million as at 31 March 2024 to approximately HK\$116.3 million as at 31 July 2024. Such increase was mainly because the increase in our current assets outweighed the increase in our current liabilities. The increase in our current assets was mainly driven by the increase in our trade receivables and contract assets, while the increase in our current liabilities was mainly driven by the increase in our trade and retention payables, offset by the decrease in our borrowings. The increase in our contract assets was mainly due to the increase in the unbilled revenue of contract works from our top projects (i.e. Project No. #07 and Project No. #08) during FY2023/24 and the four months ended 31 July 2024.

Working capital

Taking into account the financial resources available to us, including our existing cash and cash equivalents, availability of banking facilities, estimated [REDACTED] to be received by us from the [REDACTED] after a possible [REDACTED] setting the final [REDACTED] up to [REDACTED]% below the bottom end of the [REDACTED] range and cash flows from our operations, our Directors are of the view that, after due and careful inquiry, we have sufficient working capital for at least the next 12 months commencing from the date of this document.

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Cash flows

The following table sets forth a summary of our cash flows for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before changes in working capital	87,281	72,623	108,948
Changes in working capital	<u>(77,927)</u>	<u>(32,330)</u>	<u>(17,674)</u>
Cash flows from operating activities	9,354	40,293	91,274
Tax paid	<u>(1,435)</u>	<u>(3,515)</u>	<u>(21,883)</u>
Net cash inflow from operating activities . .	7,919	36,778	69,391
Net cash outflow from investing activities .	(5,493)	(35,872)	(39,608)
Net cash inflow/(outflow) from financing activities	<u>2,000</u>	<u>(8,779)</u>	<u>(7,892)</u>
Net increase/(decrease) in cash and cash equivalents.	4,426	(7,873)	21,891
Cash and cash equivalents at beginning of the financial year.	<u>8,917</u>	<u>13,343</u>	<u>5,470</u>
Cash and cash equivalents at end of the financial year.	<u><u>13,343</u></u>	<u><u>5,470</u></u>	<u><u>27,361</u></u>

During the Track Record Period, we recorded net cash inflow from operating activities and net cash outflow from investing activities for all years presented. On the other hand, we recorded net cash inflow from financing activities for FY2021/2022 and recorded net cash outflow from financing activities for FY2022/23 and FY2023/24.

Our cash and cash equivalents amounted to approximately HK\$27.4 million as at 31 March 2024, representing an increase of approximately HK\$21.9 million from approximately HK\$5.5 million as at 31 March 2023. Such increase was mainly because net cash inflow from operating activities outweighed the net cash outflow from investing and financing activities.

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Net cash inflow from operating activities

For FY2021/22, we had net cash inflow from operating activities of approximately HK\$7.9 million, primarily reflecting: (i) profit before income tax expense of approximately HK\$70.5 million; (ii) positive adjustments before changes in working capital of approximately HK\$16.8 million, which primarily reflected depreciation of property and equipment of approximately HK\$9.0 million and depreciation of right-of-use assets of approximately HK\$3.0 million; (iii) negative movement in working capital of approximately HK\$77.9 million, which primarily reflected an increase in contract assets of approximately HK\$46.2 million, an increase in trade receivables of approximately HK\$42.6 million, offset by an increase in trade and retention payables of approximately HK\$17.8 million.

For FY2022/23, we had net cash inflow from operating activities of approximately HK\$36.8 million, primarily reflecting: (i) profit before income tax expense of approximately HK\$47.6 million; (ii) positive adjustments before changes in working capital of approximately HK\$25.0 million, which primarily reflected depreciation of property and equipment of approximately HK\$10.9 million; (iii) negative movement in working capital of approximately HK\$32.3 million, which primarily reflected a decrease in trade and retention payables of approximately HK\$30.1 million, an increase in contract assets of approximately HK\$14.3 million, offset by an increase in accruals, provision and other payables of approximately HK\$3.7 million and a decrease in trade receivables of HK\$19.7 million.

For FY2023/24, we had net cash inflow from operating activities of approximately HK\$69.4 million, primarily reflecting: (i) profit before income tax expense of approximately HK\$92.9 million; (ii) positive adjustments before changes in working capital of approximately HK\$16.0 million, which primarily reflected depreciation of property and equipment of approximately HK\$11.4 million; (iii) negative movement in working capital of approximately HK\$17.7 million, which primarily reflected an increase in contract assets of approximately HK\$53.9 million and an increase in trade receivables of approximately HK\$10.5 million, offset by an increase in accruals, provision and other payables of approximately HK\$12.7 million and an increase in trade and retention payables of approximately HK\$34.3 million.

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Net cash outflow from investing activities

For FY2021/22, our net cash outflow from investing activities amounted to approximately HK\$5.5 million, which was mainly contributed by the payments for property and equipment of approximately HK\$6.1 million.

For FY2022/23, our net cash outflow from investing activities amounted to approximately HK\$35.9 million, which was mainly contributed by (i) advance to Directors of approximately HK\$13.0 million; and (ii) payments for property and equipment of approximately HK\$20.4 million.

For FY2023/24, our net cash outflow from investing activities amounted to approximately HK\$39.6 million, which was mainly contributed by (i) payments for property and equipment of approximately HK\$18.6 million; and (ii) advances to Directors of approximately HK\$27.4 million.

Net cash inflow/(outflow) from financing activities

For FY2021/22, our net cash inflow from financing activities amounted to approximately HK\$2.0 million, which was mainly contributed by (i) proceeds from bank loans of approximately HK\$21.8 million; and (ii) proceeds from hire purchase of approximately HK\$14.8 million, offset by repayment to Directors of approximately HK\$16.1 million.

For FY2022/23, our net cash outflow from financing activities amounted to approximately HK\$8.8 million, which was mainly contributed by (i) repayment of hire purchases of approximately HK\$11.6 million; (ii) repayment of bank loans of approximately HK\$6.9 million; (iii) repayment to Directors of approximately HK\$6.2 million, offset by proceeds from hire purchase of approximately HK\$12.8 million.

For FY2023/24, our net cash outflow from financing activities amounted to approximately HK\$7.9 million, which was mainly contributed by (i) repayment of bank loans of approximately HK\$17.7 million; and (ii) repayment of hire purchase of approximately HK\$12.4 million, offset by proceeds from bank loans of approximately HK\$22.4 million.

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COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our combined statements of financial position as at the dates indicated, which are extracted from the Accountant’s Report:

	As at 31 March		
	2022	2023	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
ASSETS			
Non-current assets			
Property and equipment	54,537	48,407	85,610
Right-of-use assets	3,680	3,322	2,764
Intangible assets	1,620	1,620	1,620
Deposits	—	46	525
Deferred income tax assets	2,215	2,344	2,243
Total non-current assets	62,052	55,739	92,762
Current assets			
Inventories	—	—	469
Trade receivables	60,912	36,948	48,191
Contract assets	124,543	134,548	187,895
Deposits, prepayments and other receivables	3,810	8,474	9,099
Amounts due from Directors	—	13,046	—
Amounts due from related parties	4,171	4,160	—
Cash and cash equivalents	13,343	5,470	27,361
Total current assets	206,779	202,646	273,015
Total assets	268,831	258,385	365,777
LIABILITIES			
Non-current liabilities			
Borrowings	10,447	7,519	7,959
Lease liabilities	790	1,018	813
Deferred income tax liabilities	5,956	5,703	7,628
Other payable	—	—	6,727
Provision for long service payment	442	269	313
Total non-current liabilities	17,635	14,509	23,440

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	As at 31 March		
	2022	2023	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Current liabilities			
Trade and retention payables	75,210	45,089	79,419
Contract liabilities	9,412	566	4,073
Accruals, provision and other payables	25,676	13,812	46,548
Amounts due to directors	6,220	—	—
Amounts due to related parties	196	197	100
Lease liabilities	3,048	2,399	1,954
Borrowings	36,384	42,270	42,203
Current income tax liabilities	16,599	20,548	12,648
Total current liabilities	172,745	124,881	186,945
Total liabilities	190,380	139,390	210,385
NET ASSETS	78,451	118,995	155,392
EQUITY			
Equity attributable to owners of the Company			
Combined capital	10	10	10
Other reserves	4,356	4,918	4,889
Retained earnings	73,541	144,067	150,493
Capital and reserves attributable to owners of the Company	77,907	118,995	155,392
Non-controlling interests	544	—	—
Total equity	78,451	118,995	155,392

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DESCRIPTION OF CERTAIN LINE ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property and equipment

The following table sets forth the breakdown of our property and equipment by class as at the dates indicated:

	As at 31 March		
	2022	2023	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Leasehold improvement.	579	406	155
Office equipment and furniture	475	712	492
Machinery.	48,248	42,291	79,892
Motor vehicles	5,235	4,998	5,071
Total property and equipment	<u>54,537</u>	<u>48,407</u>	<u>85,610</u>

Our property and equipment primarily comprised leasehold improvements, office equipment, machinery and motor vehicles. Our property and equipment decreased from approximately HK\$54.5 million as at 31 March 2022 to approximately HK\$48.4 million as at 31 March 2023, which was mainly driven by the depreciation charge for the year. Our property and equipment increased from approximately HK\$48.4 million to approximately HK\$85.6 million as at 31 March 2024, which was mainly driven by the addition of our machinery during FY2023/24, partially offset by depreciation charge for the year. In respect of the addition of our machinery of approximately HK\$47.0 million for FY2023/24, approximately HK\$32.4 million was purchased from China Wealth (being a group company of one of our [REDACTED] and its associated company.

Right-of-use assets

Our right-of-use assets mainly represented our leased premises. As at 31 March 2022, 31 March 2023 and 31 March 2024, our right-of-use assets amounted to approximately HK\$3.7 million, HK\$3.3 million and HK\$2.8 million, respectively.

The slight decrease of our right-of-use assets from approximately HK\$3.7 million as at 31 March 2022 to approximately HK\$3.3 million as at 31 March 2023 was mainly due to depreciation charge for the year, which was partially offset by the addition of new leases.

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The slight decrease of our right-of-use assets from approximately HK\$3.3 million as at 31 March 2023 to approximately HK\$2.8 million as at 31 March 2024 was due to depreciation charge for the year, which was offset by the addition of new leases.

Intangible assets

Our intangible assets represented the construction licence (with indefinite useful lives) held by our wholly-owned subsidiary, namely, Kaiser Construction Engineering, of approximately HK\$1.6 million. The construction licence is granted by Development Bureau to Kaiser Construction Engineering. Through the construction licence, Kaiser Construction Engineering is eligible to undertake government construction contracts of road and drainage, subject to tender limit for public works contracts under the relevant works category of value up to HK\$150 million.

Our Group carried out impairment assessments annually and concluded that no impairment loss was recognised as at 31 March 2022, 31 March 2023 and 31 March 2024. For details of the key parameters, sensitivity analysis and headroom, please refer to Note 16 to the Accountants’ Report.

Inventory

Our Group generally does not maintain a material amount of inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis.

As at 31 March 2024, we recorded minimal inventory amounting to approximately HK\$0.5 million which represented a batch of solar PV panels.

Trade receivables

The following table sets forth the breakdown of our trade receivables as at the dates indicated:

	As at 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Trade receivables, gross	62,445	42,779	53,279
Less: provision for impairment	(1,533)	(5,831)	(5,088)
Trade receivables, net	60,912	36,948	48,191

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Our net trade receivables amounted to approximately HK\$60.9 million, HK\$36.9 million and HK\$48.2 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively.

Our net trade receivables decreased from approximately HK\$60.9 million as at 31 March 2022 to approximately HK\$36.9 million as at 31 March 2023. Such decrease was due to (i) the decrease in the outstanding balance from a sizeable project undertaken by our Group during FY2022/2023, namely the gross trade receivables in respect of Project No. #01 which amounted to approximately HK\$23.2 million (as at 31 March 2022: approximately HK\$49.1 million); and (ii) provision for impairment made against the outstanding balances from Customer A in relation to Project No. #01, which amounted to approximately HK\$5.0 million.

Our net trade receivables increased from approximately HK\$36.9 million as at 31 March 2023 to approximately HK\$48.2 million as at 31 March 2024. Such increase was due to the increase in the outstanding balance from some of our top projects during FY2023/24, namely the gross trade receivables for Project No. #07 which amounted to approximately HK\$20.5 million, and the gross trade receivables for Project No. #08 which amounted to approximately HK\$10.3 million.

Our trade receivables are generally due within 7 to 60 days from the date of billing. For our credit policy and credit risk arising from trade receivables, please refer to Note 3(b) to the Accountant’s Report.

The following is an ageing analysis of our trade receivables as at the dates indicated, based on the invoice date:

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	33,776	14,393	39,598
31–60 days	25,234	3,264	2,593
61–90 days	3,431	247	—
91–180 days	4	93	1,274
Over 180 days	—	24,782	9,814
Total trade receivables, gross	62,445	42,779	53,279

As at 31 March 2023, the gross trade receivables balance aged over 180 days of approximately HK\$24.8 million mainly included (i) approximately HK\$14.6 million from Customer A in respect of Project No. #01; and (ii) approximately HK\$8.5 million for Customer C in respect of Project No. #01. In terms of subsequent settlement, as at 31 July 2024 (being the

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latest practicable date for subsequent settlement), (i) approximately HK\$10.4 million or 71.2% of the total balance in respect of Customer A that was outstanding as at 31 March 2023 has been settled; and (ii) the entire balance in respect of Customer C that was outstanding as at 31 March 2023 has been settled.

As at 31 March 2024, the gross trade receivables balance aged over 180 days of approximately HK\$9.8 million mainly included approximately HK\$9.3 million from Customer A in respect of Project No. #01 (such balance from Customer A net of provision for impairment amounting to approximately HK\$5.0 million). Our Directors confirm that, in an effort to recover the outstanding trade receivables as much as possible, our Group has been and was continuously negotiating a settlement amount with Customer A. As of the Latest Practicable Date, our Group has received emails from Customer A signifying that Customer A agreed to settle the outstanding balance of approximately HK\$5.0 million by two instalments upon Customer A receiving batch payments from the project owner. As advised by Customer A, it expects to receive the next batch payment from the project owner in November 2024.

To the best knowledge and belief of our executive Directors, the settlement issue relating to Project No. #01 was mainly due to protracted contract payment negotiations between the project owner and its main contractor.

The provision for impairment for trade receivables in respect of Customer A was assessed individually (our impairment policy is set out below). Out of the provision for impairment of trade receivables of approximately HK\$5.8 million as at 31 March 2023, approximately HK\$5.0 million was attributed to Customer A. Out of the provision for impairment of trade receivables of approximately HK\$5.1 million as at 31 March 2024, approximately HK\$4.3 million was attributed to Customer A.

Our Group applies simplified approach prescribed by HKFRS 9 to measuring expected credit loss which uses a lifetime expected loss allowance for all of our trade receivables. The loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. Our Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on our Group’s past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. For the remaining balances, the expected loss rates are based on external default data of customers of similar nature. The historical loss rates are also adjusted to reflect current and forward-looking information on macroeconomic

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factors (i.e. employment rate) affecting the ability of the customers to settle the trade receivables. When a trade receivable or contract asset is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the same line item.

Considering that (i) our Group has made provision for impairment of approximately HK\$4.3 million as at 31 March 2024 which covered approximately 45.8% of the outstanding gross trade receivables from Customer A as at 31 March 2024; (ii) the latest payment from Customer A took place in January 2024 which was shortly before the end of the Track Record Period; and (iii) the abovementioned latest status of settlement negotiation with Customer A, our Directors are of the view that the net trade receivables from Customer A is recoverable and that sufficient provision for impairment has been made.

The following table sets forth the average turnover days of trade receivables for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
	<i>(days)</i>	<i>(days)</i>	<i>(days)</i>
Average turnover days of trade receivables ⁽¹⁾	28.8	53.2	29.5
Average turnover days of trade receivables and unbilled revenue ⁽²⁾	94.2	173.5	138.4

Note:

- (1) Average turnover days of trade receivables equal average trade receivables, net of loss allowance, divided by total revenue for the year and multiplied by 365. Average trade receivables are calculated as trade receivables at the beginning of the year plus trade receivables at the end of the year, divided by two.
- (2) Average turnover days of trade receivables and unbilled revenue turnover days equal average trade receivables and unbilled revenue, net of loss allowance, divided by total revenue for the year and multiplied by 365. Average trade receivables and unbilled revenue are calculated as trade receivables and unbilled revenue at the beginning of the year plus trade receivables at the end of the year, divided by two.

Our average turnover days of trade receivables incurred from approximately 28.8 days for FY2021/22 to approximately 53.2 days for FY2022/23 was mainly driven by the long outstanding trade receivables from Customer A and Customer C as disclosed above. Our average turnover days of trade receivables was approximately 29.5 days, which was stable as compared to FY2021/22.

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Our trade receivables and unbilled revenue turnover days are longer than trade receivables turnover days, as it includes the progress of certification by our customer. Our Group generally submits a progress payment application to our customer on a monthly basis with reference to the amount of works completed and our customer will examine and certify our works done by issuing a payment certificate to us. We will then issue an invoice to our customer. Therefore, the fluctuation in trade receivables and unbilled revenue turnover days depends on (i) the certification process of our customers; (ii) our customers’ internal process for approving our invoices; (iii) the credit terms granted by us to our customers; and (iv) the amount and time of settlement by our customers. Our average turnover days of trade receivables and unbilled revenue increased from approximately 94.2 days for FY2021/22 to approximately 173.5 days for FY2022/23, which was mainly driven by (i) the effect of the long outstanding trade receivables from Customer A and Customer C as disclosed above; and (ii) the increase in our unbilled revenue balance as at 31 March 2023, the analysis of which is disclosed in the paragraph headed “Contract assets and liabilities” below in this section.

As at 31 July 2024 (the latest practicable date for this information), approximately HK\$42.1 million, or 87.4%, of our net trade receivables as at 31 March 2024 were subsequently settled.

Contract assets and liabilities

A contract asset represents our right to consideration from customers in exchange for the provision of construction services that our Group has transferred to the customers that is not yet unconditional. Contract assets arise when our Group has provided the construction services under the relevant contracts but the works have yet to be certified by architects, quantity surveyors or other representatives appointed by the customers and/or our right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when our Group’s right to payment becomes unconditional other than passage of time.

A contract liability represents our obligation to transfer the aforesaid services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Our Group classifies these contract assets and liabilities as current because our Group expects to realise them in its normal operating cycle.

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The following table sets forth our contract assets and contract liabilities as at the dates indicated:

	As at 31 March		
	2022	2023	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Contracts assets			
Unbilled revenue	119,695	135,051	178,843
Billed retention receivables	7,390	6,382	16,506
Total contract assets, gross	127,085	141,433	195,349
Less: provision for impairment:			
— Unbilled revenue	(2,350)	(6,781)	(7,158)
— Billed retention receivables	(192)	(104)	(296)
Contract assets, net	124,543	134,548	187,895
Contract liabilities	(9,412)	(566)	(4,073)

Unbilled revenue

Our gross unbilled revenue increased from approximately HK\$119.7 million as at 31 March 2022 to approximately HK\$135.1 million as at 31 March 2023. Such increase was primarily attributable to the increase in size and number of contract works that the relevant services were provided but not certified at the end of each reporting period, such as (i) Project No. #01, in which approximately HK\$43.1 million of unbilled revenue in respect of Project No. #01 was included in the total unbilled revenue balance as at 31 March 2023. The unbilled revenue balance in respect of Project No. #01 as at 31 March 2023 was subsequently certified in September 2023 as the final accounts was agreed; (ii) projects under the Master Agreement A, in which the unbilled revenue increased from approximately HK\$18.6 million as at 31 March 2022 to approximately HK\$21.5 million as at 31 March 2023; (iii) projects under the Master Agreement B, in which the unbilled revenue increased from approximately HK\$5.2 million as at 31 March 2022 to approximately HK\$8.0 million as at 31 March 2023; and (iv) Project No. #06, in which our unbilled revenue increased from approximately HK\$1.6 million as at 31 March 2022 to approximately HK\$5.1 million as at 31 March 2023.

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Our gross unbilled revenue increased from approximately HK\$135.1 million as at 31 March 2023 to approximately HK\$178.8 million as at 31 March 2024. Such increase was primarily attributable to the increase in size and number of contract works that the relevant services were provided but not certified at the end of each reporting period, such as (i) Project No. #06, in which our unbilled revenue increased from approximately HK\$5.1 million as at 31 March 2023 to approximately HK\$19.0 million as at 31 March 2024; (ii) Project No. #07, in which our unbilled revenue increased from approximately HK\$6.4 million as at 31 March 2023 to approximately HK\$36.9 million as at 31 March 2024; (iii) Project No. #08, in which our unbilled revenue increased from approximately HK\$1.0 million as at 31 March 2023 to approximately HK\$19.3 million as at 31 March 2024; and (iv) projects under the Master Agreement A, in which our unbilled revenue increased from approximately HK\$21.5 million as at 31 March 2023 to approximately HK\$24.6 million as at 31 March 2024.

Included in the provision for impairment for unbilled revenue of approximately HK\$6.8 million as at 31 March 2023 and HK\$7.2 million as at 31 March 2024 was a balance of approximately HK\$5.0 million as at each of the above year end, which was attributable to Customer E in respect of Project No. #01, respectively as Customer E had not certified our works as Customer E was still in negotiation with the project owner. In an effort to collect the outstanding unbilled revenue as much as possible, our Group has been and was continuously negotiating with Customer E up to the Latest Practicable Date. The unbilled revenue attributable to Customer E was assessed individually instead of collectively, in which the unbilled revenue attributable to Customer E was fully provided for impairment. As at the Latest Practicable Date, our Group was yet to collect the said HK\$5.0 million from Customer E. Considering that the said HK\$5.0 million was immaterial to the aggregate revenue from the Third Runway Projects, our Directors are of the view that the full provision for impairment of unbilled revenue attributable to Customer E had no material impact on our Group's financial performance.

In addition, considering that (i) the subsequent certification of our unbilled revenue as disclosed below; and (ii) our Group has made full provision for impairment in respect of the unbilled revenue attributable to Customer E while all our other customers had no track record of not certifying our works, our Directors are of the view that there is no recoverability issue for our net unbilled revenue and that sufficient provision for impairment has been made.

Our net unbilled revenue amounted to approximately HK\$171.7 million as at 31 March 2024. Of which, approximately 80.5% (which amounted to approximately HK\$138.1 million) had been subsequently billed up to 31 July 2024 (the latest practicable date for this information).

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Billed retention receivables

Billed retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the combined statements of financial position, billed retention receivables are classified as current assets based on its normal operating cycle.

The settlement analysis of these retention receivables based on the terms of related contracts was as follows:

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
To be recovered within twelve months	7,338	3,810	4,172
To be recovered more than twelve months after the end of the reporting period	52	2,572	12,334
Billed retention receivables, net	7,390	6,382	16,506

Deposits, prepayments and other receivables

	As at 31 March		
	2022	2023	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Prepayments	697	238	2,442
Deferral of [REDACTED] fee related to issuance of new shares	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	744	5,272	2,959
Deposits	2,369	3,010	2,712
Total deposits, prepayments and other receivables	3,810	8,520	9,624

Deposits

Our deposits mainly consist of (i) rental deposits and (ii) material deposits paid to suppliers.

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Our deposits amounted to approximately HK\$2.4 million, HK\$3.0 million and HK\$2.7 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. Our deposits increased from approximately HK\$2.4 million to approximately HK\$3.0 million was mainly due to increase in deposits for purchase of motor vehicle and utilities. Our deposits remained stable as at 31 March 2023 and 31 March 2024.

Prepayments

Our prepayments mainly consist of prepayments of (i) machinery and motor vehicle instalment; and (ii) subcontracting fees.

Our prepayments amounted to approximately HK\$0.7 million, HK\$0.2 million and HK\$2.4 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. Our prepayments decreased from approximately HK\$0.7 million as at 31 March 2022 to approximately HK\$0.2 million as at 31 March 2023, which was mainly due to prepayment of a scissor platform towards year end of FY2021/22. Our prepayments increased from approximately HK\$0.2 million as at 31 March 2023 to approximately HK\$2.4 million as at 31 March 2024, which was mainly due to prepayment of subcontracting fees of concrete works and installation of steel structures to subcontractors near the year end of FY2023/24.

Other receivables

Our other receivables mainly consist of loan to subcontractors for mobilising their labour to undertake the works.

Our other receivables amounted to approximately HK\$0.7 million, HK\$5.3 million and HK\$3.0 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. Included in our other receivables as at 31 March 2023 and 31 March 2024 was an advance to one of our suppliers for its working capital need. As at the Latest Practicable Date, such amount has been subsequently settled.

Trade and retention payables

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	73,749	42,146	72,576
Retention payables	1,461	2,943	6,843
Total trade and retention payables	75,210	45,089	79,419

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Our trade and retention payables mainly comprised payables to subcontractors, suppliers of construction materials and rental of machineries.

Our trade payables amounted to approximately HK\$73.7 million, HK\$42.1 million and HK\$72.6 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. The following table sets forth the comparison of our trade payables and cost of services (excluding employee expenses, depreciation of property and equipment and depreciation of right-of-use assets):

	As at/for the years ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	73,749	42,146	72,576
Cost of services (excluding employee expenses, depreciation of property and equipment and depreciation of right-of-use assets).	327,511	185,015	279,971
Percentage of trade payables to cost of services (excluding employee expenses, depreciation of property and equipment and depreciation of right-of-use assets) . .	22.5%	22.8%	25.9%

Our trade payables as a percentage to cost of services (excluding employee expenses, depreciation of property and equipment and depreciation of right-of-use assets) remained stable at approximately 22.5% and 22.8% for FY2021/22 and FY2022/23, respectively and increased to approximately 25.9% for FY2023/24. Such increase was mainly driven by our trade payables to Supplier F of approximately HK\$5.6 million as disclosed below. Excluding the effect of the abovementioned trade payables to Supplier F, our trade payables as a percentage to cost of services (excluding employee expenses, depreciation of property and equipment and depreciation of right-of-use assets) was approximately 23.9% for FY2023/24.

Our retention payables to subcontractors amounted to approximately HK\$1.5 million, HK\$2.9 million and HK\$6.8 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. Such fluctuation depends on the practical completion, the expiry of the defect liabilities period or a pre-agreed time period of each projects involving retention payables to our subcontractors.

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As at 31 March 2022, 31 March 2023 and 31 March 2024, the ageing analysis of the trade and retention payables based on invoice date is as follows:

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	28,779	27,366	32,370
31 to 60 days	17,717	10,338	11,782
61 to 90 days	26,355	1,037	3,725
Over 90 days	898	3,405	24,699
Total trade payables	73,749	42,146	72,576

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	46	70	524
31 to 60 days	146	13	496
61 to 90 days	370	15	433
Over 90 days	899	2,845	5,390
Total retention payables	1,461	2,943	6,843

The following table sets forth the average turnover days of trade payables for the years indicated:

	FY2021/22	FY2022/23	FY2023/24
	<i>(days)</i>	<i>(days)</i>	<i>(days)</i>
Average turnover days of trade payables ⁽¹⁾ .	55.5	74.0	51.8

Note:

- (1) Average turnover days of trade payables equal average trade payables, divided by cost of service for the year and multiplied by 365. Average trade payables are calculated as trade payables at the beginning of the year plus trade payables at the end of the year, divided by two.

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During the Track Record Period, our top suppliers generally granted a credit period ranged from 7 days to 50 days. The credit period we granted to our customers are generally longer than the credit period our suppliers granted to us. To the best knowledge of our Directors, our suppliers normally do not object to allowing us a reasonable time extension for settling our trade payables, noting that there could be some delay by our customers in settling our trade receivables. As a result, our average turnover days of trade payables may exceed the stated credit period granted by our suppliers. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) our Group had not defaulted in settling our trade payables; and (ii) there was no dispute, claim or legal proceedings between our Group and our suppliers for late settlement of trade payables.

As at 31 March 2024, our trade payables included a trade payables balance of approximately HK\$5.6 million to Supplier F in respect of Project No. #01. Our Directors confirm that our Group has been and was continuously negotiating a settlement amount with Supplier F up to the Latest Practicable Date, and that Supplier F is aware that our Group was yet to receive the HK\$5.0 million from Customer E in respect of the same contract under Project No. #01. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not received any claim from Supplier F in respect of the trade payables to Supplier F.

Our average turnover days of trade payables were approximately 55.5 days, 74.0 days and 51.8 days for FY2021/22, FY2022/23 and FY2023/24, respectively. The increase in our average turnover days of trade payables for FY2022/23 was mainly because more work was completed during the fourth quarter of FY2022/23 which led to the increase in proportion of our trade payables balance aged within 30 days.

As at 31 July 2024 (the latest practicable date for this information), approximately HK\$21.7 million, or 29.9%, of our trade payables as at 31 March 2024 were subsequently settled.

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Accruals, provision and other payables

	As at 31 March		
	2022	2023	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Non-current liabilities			
Payable for purchase of property and equipment	—	—	6,727
Provision for long service payment	442	269	313
	442	269	7,040
Current liabilities			
Payable for purchase of property and equipment	15,576	—	23,267
Accrued auditors’ remuneration	440	214	204
Accrued employee expenses	7,745	10,224	12,145
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Other accruals and payable	1,915	3,374	7,790
	25,676	13,812	46,548

Payable for purchase of property and equipment

Our payable for purchase of property and equipment represented payable for our purchase of machinery and equipment which had not yet settled as at the year end.

Provision for long service payment

Provision for long service payment represented the long service payment obligations for its employees in Hong Kong.

The Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) in June 2022, which will eventually abolish the statutory right of an employer to reduce its long service payment (“**LSP**”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the Mandatory Provident Fund (“**MPF**”) scheme (also known as the “**offsetting mechanism**”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “**Transition Date**”). Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of

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the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date.

Pension costs are assessed using the projected unit credit cost method. The pension costs are charged to the statement of comprehensive profit or loss so as to spread the regular costs as at 31 March 2022, 31 March 2023 and 31 March 2024 over the service lives of employees. A full valuation of the defined benefit obligation based on the projected unit credit cost method has been carried out by the valuer, an independent qualified actuary, and the pension costs are charged to the combined statement of profit or loss.

For movement in the present value of our long service payment provision, please refer to Note 27 to the Accountant’s Report.

Accrued employee expenses

Our accrued employee expenses increased from approximately HK7.7 million as at 31 March 2022 to approximately HK10.2 million as at 31 March 2023 and further increased to approximately HK12.1 million as at 31 March 2024, which were generally in line with the increase in number of employees.

Other accruals and payable

Our other accruals and payables as at 31 March 2024 mainly comprised payable for rental of machinery.

Borrowings

Our borrowings comprised bank loans and hire purchase. The following table sets forth the breakdown of our borrowings as at the dates indicated:

	As at 31 March		
	2022	2023	2024
	<i>HK’000</i>	<i>HK’000</i>	<i>HK’000</i>
Guaranteed:			
— Bank loans	28,524	30,254	34,905
Secured:			
— Hire purchase	18,307	19,535	15,257
Total borrowings	46,831	49,789	50,162

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The following table sets forth the maturity groups (without taking into account the effect of repayment of demand clause) as at the dates indicated:

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings repayable:			
Within one year	5,803	7,636	20,164
Between one and two years	6,001	7,966	7,729
Between two years to five years	14,539	13,261	6,446
Over five years	2,181	1,391	566
Total bank loans	28,524	30,254	34,905

As at 31 March 2022, 31 March 2023 and 31 March 2024, (i) our borrowing facilities are secured by our property and equipment with net book value of approximately HK\$43.3 million, HK\$36.1 million and HK\$71.4 million, respectively, and personal guarantees by our Directors. The personal guarantees by our Directors shall be released upon [REDACTED].

Current income tax liabilities

The following table sets forth the movement of our current income tax liabilities:

	As at 31 March		
	2022	2023	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Current income tax liabilities as the			
beginning of the year	6,878	16,599	20,548
Current income tax	11,156	7,464	13,983
Tax paid	(1,435)	(3,515)	(21,883)
Current income tax liabilities as end of			
the year	16,599	20,548	12,648

Our current income tax liabilities increased from approximately HK\$16.6 million as at 31 March 2022 to approximately HK\$20.5 million as at 31 March 2023, such increase was mainly due to current income tax recognised. Our current income tax liabilities decreased significantly from approximately HK\$20.5 million as at 31 March 2023 to approximately HK\$12.6 million as at 31 March 2024, such decrease was mainly due to the tax paid during the FY2023/24.

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Generally our current income tax for a particular financial year would only take place subsequent to that relevant financial year as the tax returns/tax assessment would only be submitted/issued to/by the Inland Revenue Department subsequent to that relevant financial year. During FY2023/24, we paid tax of approximately HK\$21.9 million, which was in respect of our current income tax for FY2021/22 (i.e. year of assessment 2021/22) and FY2022/23 (i.e. year of assessment 2022/23). In particular, due to the COVID-19 pandemic, we were allowed an extension of time by the Inland Revenue Department to pay our tax in respect of FY2021/22 partly during FY2022/23 and more substantially during FY2023/24. As a result, our tax paid for FY2021/22 and FY2022/23 was lower than the current income tax for the corresponding financial years.

SELECTED FINANCIAL RATIOS

The following table sets forth certain key financial ratios as at/for the years ended 31 March 2022, 31 March 2023 and 31 March 2024:

	As at/For the year ended 31 March		
	2022	2023	2024
Gross profit margin ⁽¹⁾	18.0%	20.9%	23.1%
Net profit margin ⁽²⁾	11.3%	11.2%	14.6%
Return on equity ⁽³⁾	75.3%	34.1%	49.5%
Return on assets ⁽⁴⁾	22.0%	15.7%	21.0%
Current ratio ⁽⁵⁾	1.2	1.6	1.5
Gearing ratio ⁽⁶⁾	64.6%	44.7%	34.1%
Interest coverage ratio ⁽⁷⁾	53.9	25.9	40.3

Notes:

- (1) Gross profit margin represents gross profit for the year divided by total revenue for the respective year.
- (2) Net profit margin represents net profit for the year divided by total revenue for the respective year.
- (3) Return on equity represents profit for the year divided by total equity as at the end of a year.
- (4) Return on assets represents profit for the year divided by total assets as at the end of a year.
- (5) Current ratio represents total current assets divided by total current liabilities as at the relevant year end.
- (6) Gearing ratio represents total interest-bearing borrowings and lease liabilities, less cash and cash equivalents, divided by total equity as at the end of a year.
- (7) Interest coverage ratio represents profit before net finance costs and taxation divided by net finance costs for the relevant year.

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Gross profit margin

Our gross profit margin was approximately 18.0%, 20.9% and 23.1% for FY2021/22, FY2022/23 and FY2023/24, respectively. For analysis of our gross profit margin, please refer to the paragraph headed “Principal components of the combined statements of profit or loss — Gross profit and gross profit margin” in this section.

Net profit margin

Our net profit margin was approximately 11.3%, 11.2% and 14.6% for FY2021/22, FY2022/23 and FY2023/24, respectively. Please refer to the paragraph headed “Significant factors affecting our results of operations and financial condition of continuing operations” in this section.

Return on equity

For FY2021/22, FY2022/23 and FY2023/24, our return on equity was approximately 75.3%, 34.1%, and 49.5%, respectively. The decrease in our return on equity during FY2022/23 was mainly attributable to the decrease in net profit which was mainly resulted from the decrease in revenue.

For FY2023/24, our return on equity increased to approximately 49.5%, mainly due to the increase in net profit resulting from the increase in revenue and the decrease in the [REDACTED] expenses for the year.

Return on assets

For FY2021/22, FY2022/23 and FY2023/24, our return on assets was approximately 22.0%, 15.7%, and 21.0%, respectively. The decrease in our return on total assets to 15.7% during FY2022/23 was mainly attributable to the decrease in net profit which was mainly resulted from the decrease in revenue.

For FY2023/24, our return on assets increased to approximately 21.0%, mainly due to the increase in net profit resulting from the increase in revenue and the decrease in the [REDACTED] expenses for the year.

Current ratio

Our current ratio was approximately 1.2, 1.6 and 1.5 as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. For analysis of our net current assets, please refer to the paragraph headed “Liquidity and capital resources — Net current assets” in this section.

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Gearing ratio

Our gearing ratio was approximately 64.6%, 44.7% and 34.1% as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. We recorded interest-bearing bank borrowing of approximately HK\$46.8 million, HK\$49.8 million and HK\$50.2 million as at 31 March 2022, 31 March 2023 and 31 March 2024, respectively. Therefore, our gearing ratio decreased from approximately 44.7% as at 31 March 2022 to approximately 34.1% as at 31 March 2023. We had net cash position during the Track Record Period.

Interest coverage ratio

Our interest coverage ratio decreased from approximately 53.9 times for FY2021/22 to approximately 25.9 times for FY2022/23. Such decrease was mainly due to the decrease in net profit during FY2022/23 as discussed above.

Our interest coverage ratio increased from approximately 25.9 times for FY2022/23 to approximately 40.3 times for FY2023/24. Such increase in our interest coverage was mainly due to the increase in profit before interest and tax as a result of the increase in revenue, offset by the incurrence of [REDACTED] expenses during the FY2023/24.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprised expenditures for purchases of machineries and motor. Our capital expenditures amounted to approximately HK\$21.6 million, HK\$4.8 million and HK\$48.6 million for FY2021/22, FY2022/23 and FY2023/24, respectively.

Our current plan with respect to future capital expenditures is subject to changes based on the evolution of our business plan, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

INDEBTEDNESS

During the Track Record Period and at the close of business on 31 July 2024, being the latest practicable date on which such information was available to us, our Group did not have any indebtedness except for those disclosed below.

During the Track Record Period and up to the Latest Practicable Date, apart from intra-group liabilities and those disclosed below, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar

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indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

Our indebtedness comprised bank loans, hire purchases and lease liabilities. The following table sets forth our indebtedness as at the dates indicated:

	As at 31 March			As at 31 July
	2022	2023	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Unsecured:				
— Amounts due to Directors	6,220	—	—	—
— Amounts due to related parties	196	197	100	—
— Lease liabilities	3,838	3,417	2,767	3,638
<i>Sub-total</i>	<u>10,254</u>	<u>3,614</u>	<u>2,867</u>	<u>3,638</u>
Secured:				
— Bank loans	28,524	30,254	34,905	25,776
— Finance leases	18,307	19,535	15,257	10,491
<i>Sub-total</i>	<u>46,831</u>	<u>49,789</u>	<u>50,162</u>	<u>36,267</u>
Total	<u>57,085</u>	<u>53,403</u>	<u>53,029</u>	<u>39,905</u>

As at 31 March 2022, 31 March 2023, 31 March 2024 and 31 July 2024, our Group had bank loans, obligations under finance leases, amounts due to Directors and amounts due to related parties in aggregate of approximately HK\$57.1 million, HK\$53.4 million, HK\$53.0 million and HK\$39.9 million, respectively, all of which were denominated in Hong Kong Dollars.

Our Directors confirm that, since the Latest Practicable Date and up to the date of this Document, there has been no material change in the above indebtedness statement. Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) there was no material covenant on any of outstanding indebtedness or any breach thereof; and (ii) our Group had not experienced any difficulty in obtaining bank loans and other borrowings or default in repayment of bank loans and other borrowings.

As at 31 July 2024, we had no unutilised banking facilities as all of our bank loans were non-revolving loans.

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CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

Our capital commitments primarily related to the acquisition of property and equipment. As at 31 March 2024, we had capital commitments contracted in respect of the acquisition of machinery and equipment amounting to approximately HK\$3.1 million.

Except for the contractual obligations set out in the paragraph headed “Indebtedness” in this section as at the Latest Practicable Date, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our combined financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity or credit support to us.

RELATED PARTY TRANSACTIONS

During the Track Record Period, other than compensation of key management personnel of our Group and the personal guarantee by our Directors for our banking facilities, our major related party transactions can be classified into the following categories: (i) purchase of goods and services; (ii) rental payment on machinery leases; and (iii) rental income.

For details of the related party transactions, please refer to Note 30 to the Accountant’s Report. Our Directors are of the view that our related party transactions were under normal commercial terms that are fair and reasonable and in the best interest of our Group.

All outstanding related party balances will be fully settled before the [REDACTED].

OFF-BALANCE SHEET ARRANGEMENTS

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving another entity under which we have made guarantees or any obligation arising out of a material variable interest in another entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging, or research and development arrangements with us. As at 31 March 2024, we did not have any off-balance sheet arrangements.

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CONTINGENT LIABILITIES

As at 31 March 2022, 31 March 2023 and 31 March 2024, we did not have any material contingent liabilities or guarantees.

Save as disclosed above, and apart from intra-group liabilities, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, other than normal trade bills, or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, foreign exchange liabilities or other material contingent liabilities as at 31 March 2024.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the Track Record Period, we are principally subject to interest rate risk, credit risk and liquidity risk. Please refer to Note 3 to the Accountant’s Report for further details.

DIVIDENDS

For FY2021/22, FY2022/23 and FY2023/24, members of our Group declared dividends in aggregate of nil, nil, and approximately HK\$40.5 million, to their then shareholders, respectively. As at the Latest Practicable Date, the dividends were either settled by cash or set off against the amounts due from Director. On 20 September 2024, we declared final dividends of approximately HK\$30.0 million in respect of FY2023/24, which will be paid before [REDACTED] by our Group’s internal source of funding. Our Directors consider there to be no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payments as our Group will continue to maintain net current assets and net assets position after such payments of dividends.

We currently have no dividend policy in place and we do not have a predetermined dividend payout ratio after the [REDACTED]. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on our Group’s future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors deem relevant. Any final dividends for a financial year will be subject to Shareholders’ approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares. Dividends may be paid only out of our Company’s distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. Our Group’s historical payment of dividends during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

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DISTRIBUTABLE RESERVES

As at 31 March 2024, our Company had no distributable reserves available for distribution to equity holders.

[REDACTED] ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to the paragraph headed “A. [REDACTED] Statement of Adjusted Combined Net Tangible Assets” set out in Appendix II to this document.

[REDACTED] EXPENSES

The total amount of [REDACTED] expenses represents professional fees, [REDACTED] commission and other fees incurred in connection with the [REDACTED] is estimated to be approximately HK\$[REDACTED] (based on the mid-point of the indicative [REDACTED] range), representing approximately [REDACTED]% of our estimated [REDACTED] from the [REDACTED] (based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised). We estimate that our [REDACTED] expenses, comprising (i) [REDACTED]-related expenses, including [REDACTED] commission, of approximately HK\$[REDACTED]; and (ii) [REDACTED]-related expenses of approximately HK\$[REDACTED], including (a) fees paid and payable to legal advisers and the Reporting Accountants of approximately HK\$[REDACTED]; and (b) other fees and expenses of approximately HK\$[REDACTED]. The [REDACTED] expenses of: (i) approximately HK\$[REDACTED] is directly attributable to the issue of the [REDACTED] and is to be accounted for as a deduction from equity in accordance with the relevant accounting standards; and (ii) approximately HK\$[REDACTED] has been or is to be charged to the combined statements of profit or loss, of which (a) approximately HK\$[REDACTED] have been charged for FY2023/24; and (b) approximately HK\$[REDACTED] is expected to be charged prior to or upon [REDACTED]. Expenses in relation to the [REDACTED] are non-recurring in nature.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We did not experience any significant decrease in revenue or any unexpected increase in the direct costs and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. As far as our Directors are aware, there are no material adverse changes affecting the

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industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, (i) the impact of the [REDACTED] expenses on our combined statement of profit or loss; and (ii) our Group’s legal and professional fees and staff costs are expected to increase after the [REDACTED] which has posed or will pose a material adverse change in the financial or trading position or prospect of our Group since 31 March 2024. [REDACTED] should be aware of the above impacts on the financial performance of our Group for the year ending 31 March 2025.

Subsequent to the end of the Track Record Period, in May 2024, our Group was first included on the List of Pre-Qualified Tenderers for Civil Engineering Works of Hong Kong International Airport, enabling our Group to bid for tender projects as main contractor. As advised by Frost & Sullivan, AAHK commits to enhancing infrastructure of the Hong Kong International Airport in the foreseeable future. With reference to the annual reports of AAHK, while the Third Runway Projects have progressed significantly in earlier years, the non Third Runway Projects expenditures have notably increased, with the contracted amount for non Third Runway Projects rising from HK\$6,679 million in 2018 to HK\$9,243 million in 2024, representing a CAGR of approximately 5.6%, and the figure of approved non Third Runway Projects that are yet to be formally contracted jumped from HK\$16,231 million in 2018 to HK\$24,708 million in 2024, representing a CAGR of approximately 7.3%, demonstrating AAHK’s dedication to ongoing infrastructure development beyond the Third Runway, offering continued opportunities for the construction and engineering sector in the future. In August 2024, we have received three invitations from AAHK to submit tenders.

Save as disclosed above, our Directors confirm that, up to the date of this document, there has been no material change in our financial or trading positions or prospects of our Group since 31 March 2024 (being the date of which our Group’s latest audited combined financial statements were made up) and there had been no event since 31 March 2024 which would materially affect the information shown in the Accountant’s Report in Appendix I to this document.

As at the Latest Practicable Date, we were involved in an ongoing litigation where a third party, who was involved in a traffic accident and sustained personal injuries, commenced a legal action against us. Our Hong Kong Legal Counsel advised that the amount claimed against us in such legal proceedings shall be covered by the third party insurance. As such, our Directors consider that such ongoing litigation will not have any material adverse impact on our business operations and financial performance. The next hearing in the case is scheduled on 12 February 2025. For further details, please refer to the paragraph headed “Business — Litigation and claims” in this document.