

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WING LEE DEVELOPMENT CONSTRUCTION HOLDINGS LIMITED AND ALLIANCE CAPITAL PARTNERS LIMITED

Introduction

We report on the historical financial information of Wing Lee Development Construction Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-81, which comprises the combined statements of financial position as at 31 March 2022, 2023 and 2024, and the combined statements of profit or loss, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2022, 2023 and 2024 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-81 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 27 September 2024 (the “**Document**”) in connection with the [REDACTED] of shares of the Company on the [REDACTED] of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the combined financial position of the Group as at 31 March 2022, 2023 and 2024 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by one of the companies now comprising the Group during the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 September 2024

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I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

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COMBINED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 March		
		2022	2023	2024
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>			
Revenue	5	520,351	361,207	526,099
Cost of services	7	(426,738)	(285,674)	(404,492)
Gross profit		93,613	75,533	121,607
General and administrative expenses	7	(20,360)	(22,827)	(23,561)
(Impairment loss)/reversal of impairment loss on financial assets		(3,176)	(8,641)	174
Other income	6	1,353	5,423	1,933
Other gains	6	414	75	10
[REDACTED] expenses	7	[REDACTED]	[REDACTED]	[REDACTED]
Operating profit		71,844	49,563	95,283
Finance costs, net	10	(1,334)	(1,916)	(2,367)
Profit before income tax		70,510	47,647	92,916
Income tax expenses	11	(11,455)	(7,082)	(16,009)
Profit for the year		59,055	40,565	76,907
Profit is attributable to:				
— Owners of the Company		58,456	40,526	76,907
— Non-controlling interests		599	39	—
		59,055	40,565	76,907

The above combined statements of profit or loss should be read in conjunction with the accompanying notes.

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COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 March		
		2022	2023	2024
		<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Profit for the year		59,055	40,565	76,907
Other comprehensive income/(loss):				
<i>Item that will not be subsequently reclassified to profit or loss:</i>				
Remeasurements of post-employment benefit obligations		—	199	(29)
Other comprehensive income/(loss) for the year, net of tax		—	199	(29)
Total comprehensive income for the year		59,055	40,764	76,878
Total comprehensive income for the year is attributable to:				
— Owners of the Company		58,456	40,725	76,878
— Non-controlling interests		599	39	—
		59,055	40,764	76,878

The above combined statements of comprehensive income should be read in conjunction with the accompany notes.

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COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
		2022	2023	2024
		HK\$'000	HK\$'000	HK\$'000
	Note			
ASSETS				
Non-current assets				
Property and equipment	14	54,537	48,407	85,610
Right-of-use assets	15(a)	3,680	3,322	2,764
Intangible assets	16	1,620	1,620	1,620
Deposits	20	—	46	525
Deferred income tax assets	17	2,215	2,344	2,243
Total non-current assets		62,052	55,739	92,762
Current assets				
Inventories	22	—	—	469
Trade receivables	19	60,912	36,948	48,191
Contract assets	21	124,543	134,548	187,895
Deposits, prepayments and other receivables	20	3,810	8,474	9,099
Amounts due from directors	30	—	13,046	—
Amounts due from related parties	30	4,171	4,160	—
Cash and cash equivalents	23	13,343	5,470	27,361
Total current assets		206,779	202,646	273,015
Total assets		268,831	258,385	365,777

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COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As at 31 March		
		2022	2023	2024
		HK\$'000	HK\$'000	HK\$'000
	Note			
LIABILITIES				
Non-current liabilities				
Borrowings	28	10,447	7,519	7,959
Lease liabilities	15(b)	790	1,018	813
Deferred income tax liabilities	17	5,956	5,703	7,628
Other payable	27	—	—	6,727
Provision for long service payment	27	442	269	313
Total non-current liabilities		17,635	14,509	23,440
Current liabilities				
Trade and retention payables	26	75,210	45,089	79,419
Contract liabilities	21	9,412	566	4,073
Accruals, provision and other payables	27	25,676	13,812	46,548
Amounts due to directors	30(b)	6,220	—	—
Amounts due to related parties	30(b)	196	197	100
Lease liabilities	15(b)	3,048	2,399	1,954
Borrowings	28	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	24	10	10	10
Other reserves	25	4,356	4,918	4,889
Retained earnings		73,541	114,067	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

The above combined statements of financial position should be read in conjunction with the accompanying notes.

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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Combined	Reserves	Retained		Non-	
	capital	(Note 25)	earnings	Total	controlling	Total equity
	(Note 24)				interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2021	10	2,781	15,085	17,876	1,381	19,257
Comprehensive income						
Profit for the year	—	—	58,456	58,456	599	59,055
Total comprehensive income	—	—	58,456	58,456	599	59,055
Transactions with owners in their capacity						
as owners:						
Transactions with non-controlling interests						
(Note 31)	—	1,575	—	1,575	(1,575)	—
Disposal of a subsidiary (Note 30(e))	—	—	—	—	139	139
	—	1,575	—	1,575	(1,436)	139
Balance as at 31 March 2022	10	4,356	73,541	77,907	544	78,451

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COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company					
	Combined	Reserves	Retained		Non-	
	capital (Note 24)	(Note 25)	earnings	Total	controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2022	10	4,356	73,541	77,907	544	78,451
Comprehensive income						
Profit for the year	—	—	40,526	40,526	39	40,565
Other comprehensive income/(loss)						
<i>Item that will not be reclassified subsequently to profit or loss:</i>						
Remeasurements of post-employment benefit obligations	—	199	—	199	—	199
Total comprehensive income	—	199	40,526	40,725	39	40,764
Transactions with owners in their capacity as owners:						
Transactions with non-controlling interests (Note 31)	—	363	—	363	(583)	(220)
Balance as at 31 March 2023	10	4,918	114,067	118,995	—	118,995

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COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Combined capital	Reserves	Retained earnings	Total			
	(Note 24)	(Note 25)					
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Balance as at 1 April 2023	10	4,918	114,067	118,995	—	118,995	
Comprehensive income							
Profit for the year	—	—	76,907	76,907	—	76,907	
Other comprehensive income/(loss)							
<i>Item that will not be reclassified subsequently to profit or loss:</i>							
Remeasurements of post-employment benefit obligations	—	(29)	—	(29)	—	(29)	
Total comprehensive income	—	(29)	76,907	76,878	—	76,878	
Transactions with owners in their capacity as owners:							
Dividend declared (<i>Note 13</i>)	—	—	(40,481)	(40,481)	—	(40,481)	
	—	—	(40,481)	(40,481)	—	(40,481)	
Balance as at 31 March 2024	10	4,889	150,493	155,392	—	155,392	

The above combined statements of changes in equity should be read in conjunction with the accompanying notes.

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COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 March		
		2022	2023	2024
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>			
Cash flows from operating activities				
Cash generated from operations	29(a)	9,354	40,293	91,274
Tax paid		(1,435)	(3,515)	(21,883)
Net cash inflow from operating activities				
		7,919	36,778	69,391
Cash flows from investing activities				
Payments for property and equipment		(6,071)	(20,375)	(18,583)
(Advance to)/repayments from related parties		578	(2,231)	6,400
Repayments from/(advance to) directors . .		—	(13,046)	(27,435)
Proceeds from sale of property and equipment	29(b)	—	—	10
Payment for acquisition of interests in subsidiary	31	—	(220)	—
Net cash outflow from investing activities				
		(5,493)	(35,872)	(39,608)

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	<i>Note</i>	Year ended 31 March		
		2022	2023	2024
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from financing activities				
Interest paid on bank loans	29(c)	(699)	(1,169)	(1,607)
Proceeds from bank loans	29(c)	21,838	8,600	22,363
Repayment of bank loans	29(c)	(5,404)	(6,869)	(17,713)
Proceeds from hire purchases	29(c)	14,784	12,837	8,112
Repayments of hire purchases	29(c)	(8,702)	(11,610)	(12,389)
Repayments of principal portion of the lease liabilities.	29(c)	(3,036)	(3,602)	(2,552)
Repayments of interest portion of lease liabilities	29(c)	(150)	(104)	(98)
Repayments of interest portion of hire purchases.	29(c)	(485)	(643)	(662)
Repayments to directors	29(c)	(16,149)	(6,220)	—
Advance from/(repayments to) related parties	29(c)	3	1	(97)
Payments of [REDACTED] expenses . . .		<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
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 the beginning of the financial year		<u>8,917</u>	<u>13,343</u>	<u>5,470</u>
Cash and cash equivalents at end of year .		<u><u>13,343</u></u>	<u><u>5,470</u></u>	<u><u>27,361</u></u>

Major non-cash transaction includes settlement of dividend declared by Wing Lee Group (Holdings) Limited to its then shareholders through offsetting against amounts due from directors of the Group, who are also the then shareholders of Wing Lee Group (Holdings) Limited.

The above combined statements of cash flows should be read in conjunction with the accompanying notes.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

Wing Lee Development Construction Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 17 May 2024 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in large-scale excavation, steel structure support design and construction of underground facilities and construction works, solar system construction and maintenance, road and drainage improvement and construction, underground cable laying and connection project, machinery leasing, and material trading in public and private sector in Hong Kong (the “[REDACTED] **Business**”). The ultimate holding company of the Company is Wing Lee Green Development Limited. The ultimate controlling parties of the Group are Mr. Yiu Wang Lee, Mr. Yiu Wang Lung and Mr. Chan Lo Man.

1.2 Reorganisation

In preparing for the [REDACTED] of the Company’s shares on the [REDACTED] of the Stock Exchange of Hong Kong Limited, the Group underwent a group reorganisation (the “**Reorganisation**”), pursuant to which the [REDACTED] Business were transferred to the Company. The Reorganisation involved the followings:

1. On 17 May 2024, Wing Lee Green Development Limited was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue up to a maximum of 50,000 ordinary shares without par value. On the date of its incorporation, 68 shares, 17 shares and 15 shares were initially allotted and issued each as fully paid to Mr. Yiu Wang Lee, Mr. Yiu Wang Lung and Mr. Chan Lo Man at the subscription price of US\$1 each, respectively, as the initial subscribers, representing 100% of the issued share capital of Wing Lee Green Development Limited.

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2. On 17 May 2024, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of a nominal or par value of HK\$0.01 each. On the date of its incorporation, the Company allotted and issued one subscriber share at par and credited as fully paid to a nominee subscriber, being an independent third party. On the same date, the nominee subscriber as transferor executed an instrument of transfer in favour of Wing Lee Green Development Limited, pursuant to which the nominee subscriber transferred the one subscriber share, representing the entire issued share capital of the Company, to Wing Lee Green Development Limited. Upon completion of the above transfer, the issued share capital of the Company then became wholly-owned by Wing Lee Green Development Limited.
3. On 28 May 2024, Wing Lee Green Technology Limited was incorporated in the British Virgin Islands as a limited liability company and is authorised to issue up to a maximum of 50,000 ordinary shares without par value. On the date of its incorporation, Wing Lee Green Technology Limited allotted and issued 1 share as fully paid to the Company at the subscription price of US\$1, and all the issued shares of Wing Lee Green Technology Limited became wholly-owned by the Company.
4. On 26 June 2024, a share sale and purchase agreement was entered into among Mr. Yiu Wang Lee, Mr. Yiu Wang Lung and Mr. Chan Lo Man (collectively, as vendors), the Company (as purchaser) and Wing Lee Green Technology Limited pursuant to which Mr. Yiu Wang Lee, Mr. Yiu Wang Lung and Mr. Chan Lo Man agreed to sell, and Wing Lee Green Technology Limited agreed to purchase, 6,800, 1,700 and 1,500 shares, respectively, representing the entire issued share capital of Wing Lee Group (Holdings) Limited. In consideration of Mr. Yiu Wang Lee, Mr. Yiu Wang Lung and Mr. Chan Lo Man agreeing to sell their respective shares held in Wing Lee Group (Holdings) Limited as mentioned above, the Company allotted and issued 999 shares of HK\$0.01 each, credited as fully paid, to Wing Lee Green Development Limited at the direction of Mr. Yiu Wang Lee, Mr. Yiu Wang Lung and Mr. Chan Lo Man. Upon completion of the above acquisition, Wing Lee Group (Holdings) Limited became a wholly-owned subsidiary of the Company.

After the completion of the reorganisation steps as described above, the Company became the holding company of the companies now comprising the Group.

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Upon completion of the Reorganisation and as at the date of this report, the Company have indirect interests in the following subsidiaries:

Name of companies	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group				Notes
				2022	2023	2024	as at the date of this report	
Directly held:								
Wing Lee Green Technology Limited.	British Virgin Islands, limited company	Investment holding in British Virgin Islands	50,000 ordinary shares	N/A	N/A	N/A	100%	(a)
Indirectly held:								
Wing Lee Group (Holdings) Limited .	Hong Kong, limited company	Investment holding in Hong Kong	10,000 ordinary shares	100%	100%	100%	100%	(b), (c), (e)
Creative Sun Engineering Limited (Note 30(e))	Hong Kong, limited company	Decoration in Hong Kong	100 ordinary shares	—	—	—	—	(b)
Kaiser Construction Engineering Company Limited	Hong Kong, limited company	Construction in Hong Kong	11,400,000 ordinary shares	98.1%	100%	100%	100%	(b), (d), (e)
Wing Lee New Energy Limited (formerly known as Sum Hing Construction Limited)	Hong Kong, limited company	Construction in Hong Kong	100 ordinary shares	100%	100%	100%	100%	(b), (c), (e)
Sum Hing Trading Limited	Hong Kong, limited company	Trading of construction materials in Hong Kong	20,000 ordinary shares	100%	100%	100%	100%	(b), (c), (e)
Tai Shan Engineering & Construction Co., Limited	Hong Kong, limited company	Construction in Hong Kong	100 ordinary shares	100%	100%	100%	100%	(b), (c), (e)
Wing Lee Construction Limited	Hong Kong, limited company	Construction in Hong Kong	12,000,000 ordinary shares	100%	100%	100%	100%	(b), (c), (e)
Wing Lee Development (International) Limited	Hong Kong, limited company	Construction in Hong Kong	100 Ordinary shares	100%	100%	100%	100%	(b), (c), (e)
Sanying Property HK Limited (formerly known as “Wing Lee Property Investments (Hong Kong) Ltd”) (Note 30(e))	Hong Kong, limited company	Dormant company in Hong Kong	1 ordinary share	100%	—	—	—	(b)

Notes:

- (a) No audited financial statements were issued for these companies now comprising the Group as it is not required to issue audited financial statements under the statutory requirements of their place of incorporation.
- (b) The statutory financial statements of these companies now comprising the Group for the year ended 31 March 2022 were audited by Yongtuo Fuson CPA Limited in Hong Kong.
- (c) The statutory financial statements of these companies now comprising the Group for the year ended 31 March 2023 were audited by Linksfield CPA Limited in Hong Kong.
- (d) The statutory financial statements of this company now comprising the Group for the year ended 31 March 2023 were audited by Li, Tang, Chen & Co. in Hong Kong.
- (e) The audited financial statements for these companies now comprising the Group for the year ended 31 March 2024 were yet to be issued as of the date of this report.

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1.3 Basis of presentation

Immediately prior to the Reorganisation and during the Track Record Period, the [REDACTED] Business is held by Wing Lee Group (Holdings) Limited and conducted through its subsidiaries. Pursuant to the Reorganisation, Wing Lee Group (Holdings) Limited and the [REDACTED] Business are transferred to and held by the Company. The Company and those companies newly incorporated pursuant to the Reorganisation have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the [REDACTED] Business with no change in management of such business and the ultimate owners of the [REDACTED] Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [REDACTED] Business under Wing Lee Group (Holdings) Limited and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the [REDACTED] Business, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the [REDACTED] Business prior to the Reorganisation for all periods presented.

2 Basis of preparation

2.1 Compliance with HKFRS

The Historical Financial Information of the Company has been prepared in accordance with the principal accounting policies as set out below which are in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA. The principal accounting policies have been consistently applied to all the years presented, unless otherwise stated.

The Historical Financial Information has been prepared on a historical cost basis.

The preparation of the combined financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 4.

All effective standards, amendments to standards and interpretations which are mandatory for the financial year beginning from 1 April 2023 have been consistently applied to the Group for the Track Record Period.

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2.2 Accounting policies

The material accounting policies applied in the preparation of the financial information have been consistently applied to all the years presented, unless otherwise stated. Other than those material accounting policies information as disclosed in the notes to the relevant financial line items or transactions in this Historical Financial Information, a summary of the other potentially material accounting policies information has been set out in Note 35 to this Historical Financial information.

2.3 New and amended standards and interpretations not yet adopted

The following amendments to standards have been issued but are not early adopted by the Group:

	Effective for annual periods beginning on or after
Amendments to HKAS 1 Classification of Liabilities as current or non-current	1 April 2024
Amendments to HKAS 1 Non-current liabilities with covenants	1 April 2024
Amendment to HKFRS 16 Lease liability in a Sale and Leaseback	1 April 2024
Amendments to HKAS 7 and HKFRS 7 Supplier finance arrangements	1 April 2024
Amendments to HK — Presentation of Financial Statements — Int 5 (2020) Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2024
Amendments to HKAS 21 Lack of Exchangeability	1 April 2025
Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards, interpretations, and amended improvements, certain of which are relevant to the Group’s operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

The directors of the Group will adopt the amendments to existing standards and interpretation when they become effective.

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3 Financial risk management

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Risk management is carried out by the directors of the Company and senior management of the Group.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activity is undertaken by management.

(a) *Market risk*

(i) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the functional currency of the Group entities.

Most of the income, expenditures, assets and liabilities of the Group are denominated in HK\$, being the functional currency of the subsidiaries now comprising the Group, and hence, the Group does not have any material foreign exchange risk exposure.

(ii) *Cash flow interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rate expose the Group to cash flow interest rate risk.

The Group’s interest rate risk arises from cash at banks and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by the bank deposits. The interest rate profile of borrowings are disclosed in Note 28. The bank deposits generate interest at the prevailing market interest rates.

As at 31 March 2022, 2023 and 2024, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the Group’s profit after tax and total comprehensive income would have been approximately HK\$115,000, HK\$129,000 and

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HK\$157,000 lower/higher respectively. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the date of statement of financial positions and had been applied to the exposure to cash flow interest rate risk for borrowings in existence at the date of statement of financial positions.

(b) Credit risk

(i) Risk management

The carrying amounts of cash and cash equivalents, trade receivables, contract assets, deposits and other receivables and amounts due from directors and related parties included in the combined statement of financial position represent the Group’s maximum exposure to credit risk in relation to its financial assets.

Management considers the Group has limited credit risk with its cash and cash equivalents as they were mainly deposited in leading and reputable banks and the banks’ external credit ratings are of investment grades. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

To manage the risk arising from trade receivables, contract assets, deposits and other receivables and amounts due from directors and related parties, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The Group trades only with recognised and creditworthy third parties. The Group takes into account information specific to the customer, such as its financial position, past experience and other factors to evaluate the creditability of customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to expected credit loss is not significant.

As at 31 March 2022, 2023 and 2024, the Group is exposed to concentration of credit risk on trade receivables and contract assets from the Group’s five largest customers amounting to approximately HK\$139,160,000, HK\$92,511,000 and HK\$158,648,000 and accounted for approximately 75%, 54% and 67% of the total trade receivables and contract assets balance. The major customers of the Group are reputable organisations and with good repayment history. Management considers that the credit risk is limited in this regard.

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(ii) Impairment of financial assets

The Group has six types of assets that are subject to the expected credit loss (“ECL”) model:

- cash and cash equivalents;
- trade receivables;
- contract assets;
- deposits and other receivables at amortised cost;
- amounts due from directors; and
- amounts due from related parties.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as the relevant banks’ external credit ratings are of investment grades.

Trade receivables and contract assets

The Group applies simplified approach prescribed by HKFRS 9 to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables. The Group has therefore grouped the trade receivables and contract assets together to access the expected credit loss.

Trade receivables and contract assets relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance.

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The following table represents the gross carrying amount and the provision for impairment in respect of the individually assessed receivables as at 31 March 2022, 2023 and 2024.

Measurement of ECL on individual basis

	Contract assets			Trade receivables		
	2022	2023	2024	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross carrying amount	—	40,170	5,000	—	14,638	9,305
Provision for impairment.	—	(5,000)	(5,000)	—	(5,000)	(4,259)
Net carrying amount	—	35,170	—	—	9,638	5,046

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 factors (i.e. employment rate) affecting the ability of the customers to settle the receivables.

Measurement of ECL on collective basis

	Contract assets			Trade receivables		
	2022	2023	2024	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross carrying amount	127,085	101,263	190,349	62,445	28,141	43,974
Provision for impairment.	(2,542)	(1,885)	(2,454)	(1,533)	(831)	(829)
Net carrying amount	124,543	99,378	187,895	60,912	27,310	43,145
Expected credit loss rate	1.01%– 2.70%	1.57%– 3.40%	0.25%– 7.33%	1.01%– 2.70%	1.53%– 7.29%	0.25%– 5.91%

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.

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The loss allowances for trade receivables and contract assets as at 31 March reconciling to the opening loss allowances as follows:

	Contract assets			Trade receivables		
	2022	2023	2024	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening loss allowance at 1 April. . .	689	2,542	6,885	210	1,533	5,831
Increase/(decrease) in loss allowance recognised in profit or loss during the year	1,853	4,343	569	1,323	4,298	(743)
Closing loss allowance at 31 March .	<u>2,542</u>	<u>6,885</u>	<u>7,454</u>	<u>1,533</u>	<u>5,831</u>	<u>5,088</u>

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables, amounts due from directors and related parties.

For other financial assets at amortised cost, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is immaterial.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available banking facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability of banking facilities.

Management monitors rolling forecasts of the Group’s liquidity reserve and cash and cash equivalents (Note 23) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group. In addition, the Group’s liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Financing arrangements

The Group had no undrawn borrowing facilities as at 31 March 2022, 2023 and 2024.

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(ii) *Maturities of financial liabilities*

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the period-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for remaining financial liabilities is prepared based on the scheduled repayment dates.

<u>Contractual maturities of financial liabilities</u>	<u>On demand</u>	Within	Over 1 year	Total	<u>Carrying amount</u>
		<u>1 year</u>	<u>but within 5 years</u>	<u>contractual cash flows</u>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2022					
Trade and retention payables	—	75,210	—	75,210	75,210
Accruals and other payables	—	17,931	—	17,931	17,931
Borrowings and interest payments	31,542	8,252	10,701	50,495	46,831
Lease liabilities and interest payments	—	3,114	800	3,914	3,838
Amounts due to directors	6,220	—	—	6,220	6,220
Amounts due to related parties	196	—	—	196	196
	<u>37,958</u>	<u>104,507</u>	<u>11,501</u>	<u>153,966</u>	<u>150,226</u>

<u>Contractual maturities of financial liabilities</u>	<u>On demand</u>	Within	Over 1 year	Total	<u>Carrying amount</u>
		<u>1 year</u>	<u>but within 5 years</u>	<u>contractual cash flows</u>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2023					
Trade and retention payables	—	45,089	—	45,089	45,089
Accruals and other payables	—	3,588	—	3,588	3,588
Borrowings and interest payments	32,888	12,396	7,674	52,958	49,789
Lease liabilities and interest payments	—	2,483	1,037	3,520	3,417
Amounts due to related parties	197	—	—	197	197
	<u>33,085</u>	<u>63,556</u>	<u>8,711</u>	<u>105,352</u>	<u>102,080</u>

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Contractual maturities of financial liabilities	On demand	Within	Over 1 year	Total	Carrying amount
		1 year	but within 5 years	contractual cash flows	
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
As at 31 March 2024					
Trade and retention payables	—	79,419	—	79,419	79,419
Accruals and other payables	—	34,403	6,789	41,192	41,130
Borrowings and interest payments	36,552	7,791	8,637	52,980	50,162
Lease liabilities and interest payments	—	2,033	830	2,863	2,767
Amounts due to related parties.	100	—	—	100	100
	<u>36,652</u>	<u>123,646</u>	<u>16,256</u>	<u>176,554</u>	<u>173,578</u>

The table below summarises the maturity analysis of borrowings of the Group with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group’s financial position, the directors do not consider that it is probable that the relevant banks will exercise their discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the relevant agreements.

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
As at 31 March 2022	6,798	6,864	15,584	2,296	31,542
As at 31 March 2023	8,741	8,751	13,961	1,435	32,888
As at 31 March 2024	21,156	8,091	6,731	574	36,552

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3.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group mainly uses equity to finance its operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or repay borrowings when cash received from non-trade receivables. Also, the Group continues to monitor and maintain the sufficiency of banking facilities for its operations.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents.

The gearing ratios as at 31 March 2022, 2023 and 2024 were as follow:

	As at 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Borrowings	46,831	49,789	50,162
Lease liabilities	3,838	3,417	2,767
Total interest-bearing liabilities	50,669	53,206	52,929
Less: Cash and cash equivalents	(13,343)	(5,470)	(27,361)
Net debt	37,326	47,736	25,568
Total equity	78,451	118,995	155,392
Gearing ratio	47.6%	40.1%	16.5%

Under the terms of the bank borrowings, as at 31 March 2022, 2023 and 2024, the Group is not required to comply with financial covenants, and has complied with non-financial covenants through the years ended 31 March 2022, 2023 and 2024.

3.3 Fair value measurement

The carrying values of the Group’s financial assets and financial liabilities are reasonable approximation of their fair values due to the relatively short-term nature of these financial instruments or interest-bearing nature.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Revenue recognition

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the revenue and profit recognised in each period. The Group recognises its contract revenue based on the satisfaction of the performance obligation by input method, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1 (b).

5 Segment information

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The CODM regard the Group's business as three reportable segments, namely (i) civil engineering, (ii) electrical cable engineering and, (iii) solar PV system and review the financial information accordingly.

- (i) Civil engineering — principally engaged in civil engineering works which we specialise in site formation works and road and drainage works. The site formation works generally include earthworks, excavation and installation of steel structures. The road and drainage works mainly included construction and modification of roads, carriageway and pavement, construction of covered walkway, renovation of subways and footbridges, provision of universal accessibility facilities at footbridges, elevated walkways and subways, construction of drainage system, manholes, cable trenches and installation of water mains and sewerage pipes;
- (ii) Electrical cable engineering — principally engaged in electrical cable engineering works which generally include cable trenching, laying and jointing, and involve excavation, reinstatement and miscellaneous construction (such as concrete draw) works, traffic impact assessment as well as emergency and cable fault repair;
- (iii) Solar PV system — principally engaged in design, installation and maintenance works of solar PV system works.

Other businesses include sales of materials and leasing of machinery.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before income tax. The adjusted profit before income tax is measured consistently with the Group's profit before income tax except that other income, other gains, finance income, finance costs, [REDACTED] expenses, impairment loss on financial assets as well as the head office and corporate general and administrative expenses are excluded from such measurement.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information regarding the above segments is reported below.

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(a) Segment profit

	Year ended 31 March 2022				
	Civil engineering	Electrical cable engineering	Solar PV system	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	278,276	127,638	32,907	81,530	520,351
Timing of revenue recognition					
— At a point in time	—	—	—	43,756	43,756
— Over time	278,276	127,638	32,907	37,774	476,595
Cost of services (excluding depreciation)	(235,469)	(97,074)	(31,583)	(51,931)	(416,057)
General and administrative expenses (excluding depreciation)	(3,675)	(3,551)	(408)	(1,073)	(8,707)
Depreciation of right-of-use assets	(1,461)	(1,387)	(55)	(136)	(3,039)
Depreciation of property and equipment.	(5,146)	(3,820)	(16)	(39)	(9,021)
Segment profit	32,525	21,806	845	28,351	83,527
Unallocated amounts:					
General and administrative expenses					(10,274)
Impairment loss on financial assets					(3,176)
Other income					1,353
Other gains					414
Finance costs , net					(1,334)
Income tax expenses					(11,455)
Profit for the year					59,055

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Year ended 31 March 2023

	Civil engineering	Electrical cable engineering	Solar PV system	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	175,411	125,409	38,043	22,344	361,207
Timing of revenue recognition					
— At a point in time	—	—	—	7,427	7,427
— Over time	175,411	125,409	38,043	14,917	353,780
Cost of services (excluding depreciation)	(144,083)	(92,578)	(30,309)	(6,147)	(273,117)
General and administrative expenses (excluding depreciation)	(3,094)	(2,862)	(477)	(325)	(6,758)
Depreciation of right-of-use assets	(1,816)	(1,545)	(112)	(66)	(3,539)
Depreciation of property and equipment.	(8,472)	(2,378)	(64)	(15)	(10,929)
Segment profit	17,946	26,046	7,081	15,791	66,864
Unallocated amounts:					
General and administrative expenses					(14,158)
Impairment loss on financial assets					(8,641)
Other income					5,423
Other gains					75
Finance costs , net					(1,916)
Income tax expenses					(7,082)
Profit for the year					40,565

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	Year ended 31 March 2024				
	Civil engineering	Electrical cable engineering	Solar PV system	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	365,454	113,244	44,308	3,093	526,099
Timing of revenue recognition					
— At a point in time	—	—	—	2,064	2,064
— Over time	365,454	113,244	44,308	1,029	524,035
Cost of services (excluding depreciation)	(282,901)	(77,431)	(30,287)	(1,960)	(392,579)
General and administrative expenses (excluding depreciation)	(3,604)	(2,063)	(306)	(58)	(6,031)
Depreciation of right-of-use assets	(2,109)	(247)	(97)	(7)	(2,460)
Depreciation of property and equipment.	(9,590)	(1,761)	(18)	(1)	(11,370)
Segment profit	67,250	31,742	13,600	1,067	113,659
Unallocated amounts:					
General and administrative expenses					(15,613)
Reversal of impairment loss on financial assets					174
Other income					1,933
Other gains					10
[REDACTED] expenses					[REDACTED]
Finance costs, net					(2,367)
Income tax expenses					(16,009)
Profit for the year					76,907

The Group is domiciled in Hong Kong. All revenue are derived from external customers in Hong Kong for the years ended 31 March 2022, 2023 and 2024, respectively.

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(b) Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

(c) Disaggregation of revenue from contract with customers

	Year ended 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Civil engineering.	278,276	175,411	365,454
Electrical cable engineering.	127,638	125,409	113,244
Solar PV system	32,907	38,043	44,308
Others			
— Sales of materials.	43,756	7,427	2,064
— Leasing of machinery	37,774	14,917	1,029
	<u>520,351</u>	<u>361,207</u>	<u>526,099</u>

(d) Revenue from major customers

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	Year ended 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Customer A.	168,464	N/A*	—
Customer B.	84,026	86,656	88,892
Customer C.	124,511	N/A*	—
Customer D.	N/A*	44,940	N/A*
Customer G.	—	N/A*	171,584
	<u> </u>	<u> </u>	<u> </u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective years.

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(e) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised related to carried-forward contract liabilities:

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year			
— Civil engineering	168	5,315	263
— Solar PV system	132	4,097	303
	<u>300</u>	<u>9,412</u>	<u>566</u>

(f) Unsatisfied long-term construction contract

The following table shows unsatisfied performance obligations resulting from long-term construction contracts.

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied as at year end	<u>221,364</u>	<u>722,016</u>	<u>707,582</u>

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Management expects that the transaction prices regarding the unsatisfied contracts at the end of year will be recognised as revenue by referencing to the schedule below:

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	128,400	282,929	562,118
More than 1 year but less than 2 years	50,429	359,083	126,589
More than 2 years	42,535	80,004	18,875
	<u>221,364</u>	<u>722,016</u>	<u>707,582</u>

Accounting policies of 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 the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customers;
- creates and enhances an asset that the customer controls as the Group perform; and
- do not create an asset with an alternative use to the Group and the 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.

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

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

(1) Construction contract

For construction contract, it is eligible for recognition of revenue over time as the Group created or enhanced an asset that customers controlled as the Group performs its performance obligation. The Group measures the progress of the projects in accordance with the input method. Under input method, revenue on construction contracts is recognised based on the Group's 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.

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 accounting period in which the assets are leased out.

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6 Other income and other gains

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Other income			
Subsidies (<i>Note (i)</i>)			
— Government (<i>Note (ii)</i>)	—	4,179	305
— Construction Industry Council (<i>Note (iii)</i>)	143	640	1,337
Other	1,210	604	291
	<u>1,353</u>	<u>5,423</u>	<u>1,933</u>
Other gains			
Gain on disposal of subsidiaries (<i>Note 30(e)</i>)	414	75	—
Gain on disposal of property and equipment	—	—	10
	<u>414</u>	<u>75</u>	<u>10</u>

Notes:

- (i) There are no unfulfilled conditions or other contingencies attaching to the subsidies.
- (ii) Government subsidies for the year ended 31 March 2023 represent wage subsidy granted under Employment Support Scheme of the Anti-Epidemic Fund of the Hong Kong Government. Subsidies are offered to employers who have employed regular employees and paid MPF for them. Wage subsidies were granted to the Group for the use of paying wages and MPF of regular employees. Government subsidy for the year ended 31 March 2024 represents subsidy from the Hong Kong Government Ex-gratia Payment Scheme for Phasing Out Euro IV Diesel Commercial Vehicles.
- (iii) Subsidies for the year ended 31 March 2022, 2023 and 2024 represent funding from the Construction Innovation and Technology Fund under the Construction Industry Council.

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7 Expense by nature

	Year ended 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Material costs	57,201	43,909	66,333
Subcontracting fees	131,893	97,897	143,439
Fuel and oil	20,534	8,087	16,006
Employee benefit expenses (including directors’ remuneration) (<i>Note 8</i>)	95,700	96,966	122,619
Auditor’s remuneration — audit services . . .	508	246	188
Depreciation of property and equipment (<i>Note 14</i>)	9,021	10,929	11,370
Depreciation of right-of-use assets (<i>Note 15(a)</i>)	3,039	3,539	2,460
Expense relating to short-term machinery leases (<i>Note 15(c)</i>)	96,327	9,501	24,760
Expense relating to other short-term leases (<i>Note 15(c)</i>)	1,517	1,465	2,701
Insurance	7,379	5,494	3,663
Repair and maintenance	2,504	3,930	5,325
Marketing expenses	2,167	4,708	1,829
Project consultancy services	3,451	4,925	5,979
Legal and professional fees	1,814	790	1,678
Motor vehicles expenses	2,045	1,778	2,123
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Other expenses	11,998	14,337	17,580
Total cost of services, and general and administrative expenses	447,098	308,501	432,933

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8 Employee benefit expense (including Directors’ remuneration)

	Year ended 31 March		
	2022	2023	2024
	HK\$’000	HK\$’000	HK\$’000
Salaries, wages and bonuses	91,661	93,531	116,741
Pension costs — defined contribution plan .	3,549	3,409	5,737
Staff welfare and allowances	48	—	126
Long service payment	442	26	15
	95,700	96,966	122,619
	95,700	96,966	122,619

No forfeited contributions were utilised for the years ended 31 March 2022, 2023 and 2024. Furthermore, no forfeited contributions were available as at 31 March 2022, 2023 and 2024 to reduce future contributions.

Five highest paid individuals

For each of the years ended 31 March 2022, 2023, and 2024, the five individuals whose emoluments were the highest in the Group include the 3, 2, and 3 directors, whose emoluments were reflected in Note 9(a). The emoluments paid to the remaining 2, 3 and 2 individuals, respectively, are as follows:

	Year ended 31 March		
	2022	2023	2024
	HK\$’000	HK\$’000	HK\$’000
Salaries and wages	1,320	2,489	2,030
Discretionary bonuses	55	225	—
Pension costs — defined contribution plan .	36	36	18
Other welfare and allowances	36	—	—
	1,447	2,750	2,048
	1,447	2,750	2,048

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The emoluments of above individuals are within the following bands:

	Year ended 31 March		
	2022	2023	2024
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
Emoluments band			
Within HK\$1,000,000	2	2	1
HK\$1,000,001 — HK\$1,500,000	—	1	1
	<u>2</u>	<u>3</u>	<u>2</u>

9 Benefits and interests of Directors

(a) Directors’ emoluments

The remuneration of each director paid/payable for each of the years ended 31 March 2022, 2023 and 2024 were set out below:

For the year ended 31 March 2022

Name	Director’s fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer’s contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the [REDACTED] Business	Total
						Business	
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Executive director and Chief executive							
Mr. Yiu Wang Lee . . .	—	720	—	—	18	—	738
Mr. Yiu Wang Lung . .	—	720	—	—	18	—	738
Mr. Chan Lo Man . . .	—	720	—	—	18	—	738
Total	<u>—</u>	<u>2,160</u>	<u>—</u>	<u>—</u>	<u>54</u>	<u>—</u>	<u>2,214</u>

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For the year ended 31 March 2023

Name	Director's fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the [REDACTED] Business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive director and Chief executive							
Mr. Yiu Wang Lee . . .	—	800	—	—	18	—	818
Mr. Yiu Wang Lung . .	—	520	—	—	12	—	532
Mr. Chan Lo Man . . .	—	760	—	—	18	—	778
Ms. Tse Ka Wing . . .	—	80	—	—	2	—	82
Total	—	2,160	—	—	50	—	2,210

For the year ended 31 March 2024

Name	Director's fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the [REDACTED] Business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive director and Chief executive							
Mr. Yiu Wang Lee . . .	—	930	—	—	18	—	948
Mr. Yiu Wang Lung . .	—	930	—	—	18	—	948
Mr. Chan Lo Man . . .	—	825	—	—	18	—	843
Ms. Tse Ka Wing . . .	—	960	—	—	18	—	978
Total	—	3,645	—	—	72	—	3,717

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- (i) The remunerations shown above represent remunerations received from the Group by these directors in their capacity as employees to the Group and no directors waived any emoluments during each of the years ended 31 March 2022, 2023 and 2024.
- (ii) During each of the years ended 31 March 2022, 2023 and 2024, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (iii) During each of the years ended 31 March 2022, 2023 and 2024, other than those disclosed in Note 30, no significant transactions, agreements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 March 2022, 2023 and 2024.
- (iv) During each of the years ended 31 March 2022, 2023 and 2024, other than those disclosed in Note 30, there were no other loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.
- (v) Mr. Yiu Wang Lee, Mr. Yiu Wang Lung, Mr. Chan Lo Man and Ms. Tse Ka Wing, were appointed as the Company's directors on 17 May 2024. The directors' emoluments are presented as if the directors had been appointed throughout the Track Record Period.
- (vi) Mr. Shang Hailong, Mr. Fu He and Mr. Leung Wai Hung were proposed to be appointed as the Company's independent non-executive directors upon [REDACTED] of the Company. During Track Record Period, the independent non-executive directors have not yet been appointed and received nil director's remuneration in the capacity of independent non-executive directors.

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10 Finance costs, net

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Finance income:			
— Interest income from bank deposits	—*	—*	—*
Finance costs:			
— Interest expense on bank loans	(699)	(1,169)	(1,607)
— Interest expense on lease liabilities	(150)	(104)	(98)
— Interest expense on hire purchases	(485)	(643)	(662)
	<u>(1,334)</u>	<u>(1,916)</u>	<u>(2,367)</u>
Finance costs, net	<u>(1,334)</u>	<u>(1,916)</u>	<u>(2,367)</u>

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

11 Income tax expenses

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Current income tax	11,156	7,464	13,983
Deferred income tax (<i>Note 17</i>)	299	(382)	2,026
Income tax expenses	<u>11,455</u>	<u>7,082</u>	<u>16,009</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and the group companies incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax.

Other group companies are subject to Hong Kong profits tax. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period, except for one entity that is qualified under the two-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%.

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	Year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	70,510	47,647	92,916
Tax calculated at domestic tax rates			
applicable to profits in Hong Kong	11,634	7,862	15,331
Tax effects of:			
Income not subject to tax	(26)	(688)	(2)
Expenses not deductible for tax purpose	52	97	857
Effect of two-tiered profits tax rates regime	(165)	(165)	(165)
Tax concession	(40)	(24)	(12)
	<u>11,455</u>	<u>7,082</u>	<u>16,009</u>

12 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful as the Reorganisation of the Group was not completed as of 31 March 2024 and the presentation of the results for the Track Record Period was on a combined basis as disclosed in Note 1.3.

13 Dividend

No dividend has been paid or declared by the Company since its incorporation.

On 1 February 2024, Wing Lee Group (Holdings) Limited declared a final dividend with respect to the year ended 31 March 2023 amounted to HK\$18,100,000 to its then shareholders.

On 1 February 2024, Wing Lee Group (Holdings) Limited declared an interim dividend with respect to the year ended 31 March 2024 amounted to HK\$22,381,000 to its then shareholders.

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14 Property and equipment

	Leasehold improvement	Office equipment and furniture	Machineries	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2021					
Cost	1,335	1,269	55,740	9,643	67,987
Accumulated depreciation	(446)	(657)	(17,845)	(6,955)	(25,903)
Net book amount	<u>889</u>	<u>612</u>	<u>37,895</u>	<u>2,688</u>	<u>42,084</u>
Year ended 31 March 2022					
Opening net book amount	889	612	37,895	2,688	42,084
Addition for the year	—	64	17,699	3,884	21,647
Write-off	—	—	(173)	—	(173)
Depreciation charge (<i>Note 7</i>)	(310)	(201)	(7,173)	(1,337)	(9,021)
Closing net book amount	<u>579</u>	<u>475</u>	<u>48,248</u>	<u>5,235</u>	<u>54,537</u>
At 31 March 2022					
Cost	1,335	1,333	73,266	13,526	89,460
Accumulated depreciation	(756)	(858)	(25,018)	(8,291)	(34,923)
Net book amount	<u>579</u>	<u>475</u>	<u>48,248</u>	<u>5,235</u>	<u>54,537</u>
Year ended 31 March 2023					
Opening net book amount	579	475	48,248	5,235	54,537
Addition for the year	120	488	2,839	1,352	4,799
Depreciation charge (<i>Note 7</i>)	(293)	(251)	(8,796)	(1,589)	(10,929)
Closing net book amount	<u>406</u>	<u>712</u>	<u>42,291</u>	<u>4,998</u>	<u>48,407</u>
At 31 March 2023					
Cost	1,120	1,821	76,105	13,160	92,206
Accumulated depreciation	(714)	(1,109)	(33,814)	(8,162)	(43,799)
Net book amount	<u>406</u>	<u>712</u>	<u>42,291</u>	<u>4,998</u>	<u>48,407</u>
Year ended 31 March 2024					
Opening net book amount	406	712	42,291	4,998	48,407
Addition for the year	—	—	46,977	1,600	48,577
Write-off	—	—	—	(4)	(4)
Depreciation charge (<i>Note 7</i>)	(251)	(220)	(9,376)	(1,523)	(11,370)
Closing net book amount	<u>155</u>	<u>492</u>	<u>79,892</u>	<u>5,071</u>	<u>85,610</u>

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	Leasehold improvement	Office equipment and furniture	Machineries	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2024					
Cost	1,120	1,821	121,465	14,063	138,469
Accumulated depreciation	(965)	(1,329)	(41,573)	(8,992)	(52,859)
Net book amount	<u>155</u>	<u>492</u>	<u>79,892</u>	<u>5,071</u>	<u>85,610</u>

Depreciation of the Group’s property and equipment are recognised as follows:

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of services.	8,510	10,385	10,899
Administrative expenses	511	544	471
Depreciation charge for the year	<u>9,021</u>	<u>10,929</u>	<u>11,370</u>

As at 31 March 2022, 2023 and 2024, machineries and motor vehicles with net book value of HK\$43,284,000, HK\$36,117,000 and HK\$71,359,000 respectively were pledged as security for the Group’s borrowings (Note 28).

Accounting policies of 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 the 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.

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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.

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.

15 Leases

(a) Right-of-use assets

	<u>Leased premises</u>
	<i>HK\$'000</i>
As at 31 March 2021	
Cost	8,970
Accumulated depreciation	<u>(2,251)</u>
Net book amount	<u><u>6,719</u></u>

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	<u>Leased premises</u>
	<i>HK\$’000</i>
Year ended 31 March 2022	
Opening net book amount	6,719
Depreciation charge (<i>Note 7</i>).	(3,039)
	<u>3,680</u>
Closing net book amount.	<u><u>3,680</u></u>
As at 31 March 2022	
Cost	8,970
Accumulated depreciation	(5,290)
	<u>3,680</u>
Net book amount.	<u><u>3,680</u></u>
Year ended 31 March 2023	
Opening net book amount	3,680
Addition	3,181
Depreciation charge (<i>Note 7</i>).	(3,539)
	<u>3,322</u>
Closing net book amount.	<u><u>3,322</u></u>
As at 31 March 2023	
Cost	12,151
Accumulated depreciation	(8,829)
	<u>3,322</u>
Net book amount.	<u><u>3,322</u></u>
Year ended 31 March 2024	
Opening net book amount	3,322
Addition	1,902
Depreciation charge (<i>Note 7</i>).	(2,460)
	<u>2,764</u>
Closing net book amount.	<u><u>2,764</u></u>
As at 31 March 2024	
Cost	14,053
Accumulated depreciation	(11,289)
	<u>2,764</u>
Net book amount.	<u><u>2,764</u></u>

The right-of-use assets represent the Group’s rights to use underlying leased premises under lease arrangements over the lease terms from 3 to 4 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

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(b) Lease liabilities

	As at 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Current portion	3,048	2,399	1,954
Non-current portion.	790	1,018	813
	<u>3,838</u>	<u>3,417</u>	<u>2,767</u>

The interest rate of each lease contracts is fixed at its contract date, and the interest rate of all the lease liabilities was 3.7%, 4.0% and 4.6% per annum as at 31 March 2022, 2023 and 2024 respectively.

The total cash outflows for leases including payments of short-term leases, lease liabilities and payments of interest expenses on leases for the years ended 31 March 2022, 2023 and 2024 were approximately HK\$101,030,000, HK\$14,672,000 and HK\$30,111,000 respectively.

(c) Amount recognised in the combined statement of profit or loss

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Depreciation of right-of-use assets as included in:			
— Cost of services	2,171	2,173	1,014
— Administrative expenses	868	1,366	1,446
	<u>3,039</u>	<u>3,539</u>	<u>2,460</u>
Interest expenses on lease liabilities for the year (<i>Note 10</i>)	<u>(150)</u>	<u>(104)</u>	<u>(98)</u>
Expenses relating to short-term machinery leases (<i>Note 7</i>)	96,327	9,501	24,760
Expenses relating to other short-term leases (<i>Note 7</i>)	<u>1,517</u>	<u>1,465</u>	<u>2,701</u>

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Accounting policies of leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

The Group enters into lease agreements as a lessee with respect to certain premises.

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

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The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group’s incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs, if any.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of printers and photocopiers.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices and accounts for separately.

Some of the property leases include extension options. These terms are used to maximise operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

16 Intangible assets

	As at 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Construction licence	<u>1,620</u>	<u>1,620</u>	<u>1,620</u>

Management carried out impairment assessments annually on a business unit in the civil engineering segment as the cash-generating unit (“CGU”) utilising this construction licence by determining its recoverable amounts based on the higher of fair value less costs of disposal and

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value-in-use (“VIU”) calculation. The Group engaged a qualified professional valuer to estimate its VIU based on discounted cash flow forecasts prepared by management. The following key assumptions has been applied in the impairment assessments on the construction licence:

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenue (% annual growth rate)	4	4	4
Long term growth rate (%)	2	2	2
Budgeted gross margin (%)	22	6	16
Pre-tax discount rate (%)	<u>14.1</u>	<u>12.9</u>	<u>14.2</u>

Management has determined the values assigned to each of the above key assumptions as follows:

<u>Assumption</u>	<u>Approach used to determining values</u>
Revenue	Average annual growth rate over the five-year forecast period; based on past performance and management’s estimations on a prudent basis.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period; the rates are generally consistent with the projected industry growth rate.
Budgeted gross margin	Based on past performance and management’s expectations for the future.
Pre-tax discount rates	Reflect specific risks relating to the relevant business unit and the territory in which it operate.

Estimation on the recoverable amounts of the CGU and the headroom available are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Recoverable amounts of the CGU	32,637	18,944	45,434
Headroom	<u>30,259</u>	<u>12,146</u>	<u>28,447</u>

The Group does not recognise any impairment loss as of 31 March 2022, 2023 and 2024 based on the impairment assessment performed.

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The following table sets forth the sensitivity to reasonably possible changes in each of the key assumptions, with all other variables held constant, of the impairment assessments on the construction license.

Possible changes of key assumptions	Increase/(decrease) in recoverable amounts of the CGU		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Revenue (% annual growth rate) increased			
by 1%	2,653	6,084	6,645
Revenue (% annual growth rate) decreased			
by 1%	(2,525)	(5,731)	(5,867)
Long term growth rate increased by 1% . . .	2,335	1,622	2,553
Long term growth rate decreased by 1% . . .	(1,910)	(1,297)	(2,089)
Budgeted gross margin increased by 1% . . .	1,776	5,560	3,584
Budgeted gross margin decreased by 1% . . .	(1,776)	(5,560)	(3,584)
Discount rate increased by 1%	(3,042)	(1,845)	(3,634)
Discount rate decreased by 1%	3,722	2,306	4,438

Given the extent of headroom available, the management considers that any reasonably changes in the above key assumptions on which management has based its determination of the unit’s recoverable amount would not cause the unit’s carrying amount to exceed its recoverable amount.

Accounting policies of 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.

17 Deferred income tax

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Deferred tax assets	As at 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Tax losses	2,258	2,380	2,210
Provisions	672	448	542
Decelerated tax depreciation	21	57	87
Total deferred tax income assets	2,951	2,885	2,839
Set-off of deferred tax liabilities pursuant to set-off provisions	(736)	(541)	(596)
Net deferred tax income assets	2,215	2,344	2,243

Movements	Tax losses	Provisions	Decelerated	Total
			tax depreciation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021	1,367	148	—	1,515
Credited to the combined statement of profit or loss	891	524	21	1,436
At 31 March 2022	2,258	672	21	2,951
Credited/(charged) to the combined statement of profit or loss	122	(224)	36	(66)
At 31 March 2023	2,380	448	57	2,885
(Charged)/credited to the combined statement of profit or loss	(170)	94	30	(46)
At 31 March 2024	2,210	542	87	2,839

As at 31 March 2022, 2023 and 2024, there is no significant unrecognised deferred tax for the Group.

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Deferred income tax liabilities	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accelerated tax depreciation and total			
deferred tax liabilities	6,692	6,244	8,224
Set-off of deferred tax assets pursuant to			
set-off provisions	(736)	(541)	(596)
Net deferred income tax liabilities	<u>5,956</u>	<u>5,703</u>	<u>7,628</u>
Movements			Accelerated tax depreciation
			<i>HK\$'000</i>
At 1 April 2021			4,957
Charged to the combined statement of profit or loss			<u>1,735</u>
At 31 March 2022			6,692
Credited to the combined statement of profit or loss			<u>(448)</u>
At 31 March 2023			6,244
Charged to the combined statement of profit or loss			<u>1,980</u>
At 31 March 2024			<u>8,224</u>

There is no significant unprovided deferred taxation as at 31 March 2022, 2023 and 2024.

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18 Financial instruments by category

	As at 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Financial assets at amortised cost			
— Trade receivables (<i>Note 19</i>)	60,912	36,948	48,191
— Other receivables and deposits (excluding prepayments) (<i>Note 20</i>)	3,113	8,282	5,671
— Amounts due from directors	—	13,046	—
— Amounts due from related parties	4,171	4,160	—
— Cash and cash equivalents (<i>Note 23</i>)	13,343	5,470	27,361
Total	<u>81,539</u>	<u>67,906</u>	<u>81,223</u>
Financial liabilities			
Financial liabilities at amortised cost			
— Trade and retention payables (<i>Note 26</i>)	75,210	45,089	79,419
— Accruals and other payables (excluding non-financial liabilities) (<i>Note 27</i>)	17,931	3,588	41,130
— Amounts due to directors	6,220	—	—
— Amounts due to related parties	196	197	100
— Borrowings (<i>Note 28</i>)	46,831	49,789	50,162
— Lease liabilities (<i>Note 15(b)</i>)	3,838	3,417	2,767
	<u>150,226</u>	<u>102,080</u>	<u>173,578</u>

The Group’s exposure to various risks associated with the financial instruments is discussed in Note 3.

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Accounting policies of financial assets

Classification

The 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 the Group have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the 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 the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the 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.

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Debt instruments

Subsequent measurement of debt instruments depends on the Groups 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.

The 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

The 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, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

See Note 3.1 (b) for further details.

19 Trade receivables

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

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The ageing analysis of the trade receivables 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	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
	<u>62,445</u>	<u>42,779</u>	<u>53,279</u>

The credit terms provided to customers range from 7 days to 60 days. The Group’s trade receivables are denominated in HK\$.

20 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	<u>2,369</u>	<u>3,010</u>	<u>2,712</u>
	3,810	8,520	9,624
Less: Non-current	—	(46)	(525)
Current portion	<u>3,810</u>	<u>8,474</u>	<u>9,099</u>

The Group’s other receivables and deposits are denominated in HK\$.

The carrying amounts of trade and other receivables approximate to their fair values.

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21 Contract assets and contract liabilities

Included in contract assets/(liabilities) are the following:

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets			
Unbilled revenue	119,695	135,051	178,843
Billed retention receivables	7,390	6,382	16,506
	<u>127,085</u>	<u>141,433</u>	<u>195,349</u>
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)
	<u>124,543</u>	<u>134,548</u>	<u>187,895</u>
Contract assets, net	124,543	134,548	187,895
Contract liabilities	<u>(9,412)</u>	<u>(566)</u>	<u>(4,073)</u>

Notes:

Contract assets relating to construction services consist of unbilled amount resulting from construction when the revenues recognised exceeds the amount billed the customer and the billed retention receivables. The contract assets are transferred to trade receivables when the rights become unconditional.

A contract liability represents the Group’s obligation to transfer the aforesaid services to a customer for which the Group has received consideration from the customer.

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

The settlement analysis of unbilled revenue and contract liabilities based on project cycle was as follows:

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unbilled revenue:			
To be recovered within twelve months	119,695	135,051	178,843
	<u>119,695</u>	<u>135,051</u>	<u>178,843</u>
Contract liabilities:			
To be recognised as revenue within twelve months	(9,412)	(566)	(4,073)
	<u>(9,412)</u>	<u>(566)</u>	<u>(4,073)</u>

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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 statement of financial position, retention receivables were 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
	<u>7,390</u>	<u>6,382</u>	<u>16,506</u>

Accounting policies of contract assets and liabilities

When either party to a contract has performed, the 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 the Group’s right to consideration in exchange for the services that the Group has transferred to a customer. If the value transferred to customers by the Group exceed 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 the Group’s obligation to render the services to a customer for which the Group has received consideration from the customer. A contract liability is recognised by the Group when the customer pays consideration in advance before the Group renders the service to the customer.

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

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22 Inventories

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Solar panels	—	—	469

The cost of inventories recognised as expense and included in cost of services amounted to HK\$57,201,000, HK\$43,909,000 and HK\$66,333,000 for the year ended 31 March 2022, 2023 and 2024 respectively.

23 Cash and cash equivalents

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks	13,078	5,120	26,816
Cash on hand	265	350	545
Cash and cash equivalents.	13,343	5,470	27,361

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	13,333	5,461	27,343
RMB.	10	9	18
	13,343	5,470	27,361

The carrying amount of the Group’s cash and cash equivalents approximated to its fair value as at 31 March 2022, 2023 and 2024. The cash and cash equivalents earn interest at floating rates based on daily bank deposit rates.

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24 Combined capital

The Reorganisation has not been completed as at 31 March 2024 and the Historical Financial Information has been presented on a combined basis. Combined capital as at the end of each reporting period represented the combined capital of the companies now comprising the Group after the elimination of inter-company investments.

25 Other reserves

(a) Reserves movement of the Group

The reserves movement of the Group is as follows:

	Capital reserve <i>(Note (i))</i>	Other reserve	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Balance as at 1 April 2021	2,781	—	2,781
<i>Transactions with owners in their capacity as owners:</i>			
Transactions with non-controlling interests <i>(Note 31)</i>	1,575	—	1,575
	1,575	—	1,575
Balance as at 31 March 2022	4,356	—	4,356
Balance as at 1 April 2022	4,356	—	4,356
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of post-employment benefit obligations	—	199	199
	—	199	199
Transactions with owners in their capacity as owners:			
Transactions with non-controlling interests <i>(Note 31)</i>	363	—	363
	363	—	363
Balance as at 31 March 2023	4,719	199	4,918
Balance as at 1 April 2023	4,719	199	4,918

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	Capital reserve	Other reserve	Total
	<i>(Note (i))</i>		
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Other comprehensive loss			
<i>Item that will not be reclassified</i>			
<i>subsequently to profit or loss:</i>			
Remeasurements of post-employment			
benefit obligations	—	(29)	(29)
	—	(29)	(29)
Balance as at 31 March 2024	4,719	170	4,889

Note (i): The capital reserve of the Group represented combined capital reserve of the companies now comprising the Group, after elimination of intercompany transactions and balances.

26 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
	75,210	45,089	79,419

The trade and retention payables are denominated in HK\$ and the carrying amounts approximate their fair values.

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

Trade payables

	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
	73,749	42,146	72,576

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Retention payables

	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
	<u>1,461</u>	<u>2,943</u>	<u>6,843</u>

27 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
	<u>442</u>	<u>269</u>	<u>7,040</u>
Current liabilities:			
Payable for purchase of property and equipment	15,576	—	23,267
Accrued auditors’ remuneration	440	214	204
Accrued employee benefit expenses	7,745	10,224	12,145
Accrued [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
Other accruals	1,243	2,774	536
Other payable	672	600	7,254
	<u>25,676</u>	<u>13,812</u>	<u>46,548</u>

The accruals, provision and other payables are denominated in HK\$ and the carrying amounts approximate their fair values.

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

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Pension costs are assessed using the projected unit credit cost method. The pension costs are spread 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.

The amounts recognised in the combined statements of financial position are determined as follows:

	As at		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Present value of the long service payment provision	442	269	313

Movements in the present value of the long service payment provision are as follows:

	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	At beginning of the year	—	442
Current service costs	—	59	39
Past service costs (<i>note</i>)	442	(34)	(26)
Interest expenses	—	1	2
Remeasurement:			
— (Gain)/loss from changes in financial assumptions	—	(199)	29
At end of the year	442	269	313

Note: The Legislative Council passed the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 on 9 June 2022 to abolish the use of the accrued benefits of employers’ mandatory contributions under the MPF to offset severance payment (SP) and long service payment (LSP) (“**MPF offsetting arrangement**”). The Government has announced that the abolition of MPF offsetting arrangement will take effect on 1 May 2025. The abolition of MPF offsetting arrangement resulted in past service costs payable arising from plan amendments, which has been recognised in the combined statement of profit or loss for the year ended 31 March 2023.

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The principal actuarial parameters used are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Discount rate	0.0%–2.8%	2.2%–4.6%	2.9%–4.7%
Expected salary increases	0%–7.8%	1.1%–8.0%	0%

The sensitivity of the defined benefit obligation to changes in significant parameters is:

	<u>Change in assumption</u>	<u>Impact on defined benefit obligation</u>		
		<u>2022</u>	<u>2023</u>	<u>2024</u>
Discount rate	Increase by 1%	Decrease 1.7%	Decrease 1.1%	Decrease 1.0%
	Decrease by 1%	Increase 1.9%	Increase 1.3%	Increase 1.1%
Expected inflation rate.	Increase by 1%	Increase 0.3%	Increase 0.0%	Increase 0.0%
	Decrease by 1%	Decrease 0.3%	Decrease 0.0%	Decrease 0.0%

The above sensitivity analyses are based on a change in an assumption while holding all other parameters constant. In practice, it is unlikely to occur, and changes in some of the parameters may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial parameters, the same method (present value of the defined benefit obligation calculated with the projected unit credit cost method at the year end date) has been applied as when calculating the pension liability recognised within the statements of financial position.

28 Borrowings

	<u>As at 31 March</u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guaranteed			
— Bank loans	28,524	30,254	34,905
Secured			
— Hire purchases	18,307	19,535	15,257
	46,831	49,789	50,162
Less: Non-current			
— Hire purchases	(10,447)	(7,519)	(7,959)
Current borrowings	36,384	42,270	42,203

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The borrowings are denominated in HK\$ and bear interest mainly at floating rates that are market dependent.

The table below analyses the bank loans of the Group into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	As at 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
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
	<u>28,524</u>	<u>30,254</u>	<u>34,905</u>

The carrying amounts of the borrowings approximate their fair values. The weighted average interest rates are 3.7%, 4.0% and 5.0% per annum as at 31 March 2022, 2023 and 2024, respectively.

As at 31 March 2022, 2023 and 2024, all hire purchases are secured by certain property and equipment held by the Group (Note 14) and personal guarantees provided by the Company’s directors. As at 31 March 2022, 2023 and 2024, borrowing facilities amounting to HK\$28,524,000, HK\$30,254,000 and HK\$22,825,000 respectively are guaranteed by The HKMC Insurance Limited under the SME Financing Guarantee Scheme launched by The Hong Kong Mortgage Corporation Limited.

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29 Notes to the Combined Statement of Cash Flows

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax expense	70,510	47,647	92,916
Adjustments for:			
Depreciation of property and equipment . . .	9,021	10,929	11,370
Depreciation of right-of-use assets	3,039	3,539	2,460
Finance costs, net	1,334	1,916	2,367
Gain on disposal of subsidiaries	(414)	(75)	—
Gain on disposal of property and equipment	—	—	(10)
Write-off of property and equipment	173	—	4
Provision for long service payment	442	26	15
Provision/(reversal of provision) for impairment on trade receivables	1,323	4,298	(743)
Provision for impairment on contract assets	1,853	4,343	569
Operating profit before changes in working capital	87,281	72,623	108,948
Changes in working capital:			
Increase in inventories	—	—	(469)
Increase in contract assets	(46,176)	(14,348)	(53,917)
(Increase)/decrease in trade receivables	(42,638)	19,666	(10,499)
Decrease/(increase) deposits, prepayments and other receivables	481	(2,374)	(3,345)
Increase/(decrease) in trade and retention payables	17,826	(30,121)	34,330
(Decrease)/increase in accruals, provision and other payables	(16,532)	3,693	12,718
Increase/(decrease) in contract liabilities . . .	9,112	(8,846)	3,508
Net cash generated from operations	<u>9,354</u>	<u>40,293</u>	<u>91,274</u>

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(b) *In the combined statement of cash flows, proceeds from disposals of property and equipment comprise:*

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Net book amount.	—	—	—
Gain on disposal of property and equipment	—	—	10
Proceeds from disposal of property and equipment	—	—	10

(c) *Reconciliation of liabilities arising from financing activities*

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group’s combined statement of cash flows as cash flows from financing activities.

	Borrowing	Lease Liabilities	Amounts due to directors	Amounts due to related parties	Total
				<i>HK\$’000</i>	
As at 1 April 2021	24,315	6,874	22,978	193	54,360
Cash flows					
Other non-cash movements	21,332	(3,186)	(16,149)	3	2,000
— Disposal of subsidiary	—	—	(609)	—	(609)
— Accrued interest.	1,184	150	—	—	1,334
As at 31 March 2022	<u>46,831</u>	<u>3,838</u>	<u>6,220</u>	<u>196</u>	<u>57,085</u>
As at 1 April 2022	46,831	3,838	6,220	196	57,085
Cash flows.	1,146	(3,706)	(6,220)	1	(8,779)
Other non-cash movements					
— Additions.	—	3,181	—	—	3,181
— Accrued interest.	1,812	104	—	—	1,916
As at 31 March 2023	<u>49,789</u>	<u>3,417</u>	<u>—</u>	<u>197</u>	<u>53,403</u>

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	Borrowing	Lease Liabilities	Amounts due to directors	Amounts due to related parties	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2023	49,789	3,417	—	197	53,403
Cash flows	(1,896)	(2,650)	—	(97)	(4,643)
Other non-cash movements					
— Additions	—	1,902	—	—	1,902
— Accrued interest	2,269	98	—	—	2,367
As at 31 March 2024	<u>50,162</u>	<u>2,767</u>	<u>—</u>	<u>100</u>	<u>53,029</u>

30 Related party balances and transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to control the other party, to joint control over the party or to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

<u>Name of related parties</u>	<u>Relationship of related parties</u>
Mr. Wong Sai Yiu	Key management
Mr. Yiu Fai	Close family member of a director of the Company
Creative Sun Engineering Limited	Former subsidiary of the Group, controlled by a director of the Company
Sanying Property HK Limited (formerly known as “Wing Lee Property Investments (Hong Kong) Limited”)	Former subsidiary of the Group, controlled by a director of the Company
On Shing Construction Limited	Controlled by a director of the Company
Rainbow Colour Limited	Jointly controlled by a director of the Company up to 31 July 2022 ^{(Note (i))}

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<u>Name of related parties</u>	<u>Relationship of related parties</u>
Wing Lee Energy Technology Limited	Controlled by a director of the Company
Wing Lee Investments (International) Limited	Controlled by a director of the Company
Asone Asia Limited (formerly known as “Wing Lee Engineering (Asia) Limited”)	Controlled by a director of the Company
Kai Fung Construction Co., Limited	Controlled by Mr. Yiu Fai

Note (i): Mr. Yiu Wang Lee was a shareholder of Rainbow Colour Limited. Mr. Yiu Wang Lee disposed his equity interest in Rainbow Colour Limited on 31 July 2022. Rainbow Colour Limited is regarded as a third party to the Group afterwards.

(b) Balances with directors and related parties

	As at 31 March		
	2022	2023	2024
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Amounts due from directors			
Mr. Yiu Wang Lee	—	8,463	—
Mr. Yiu Wang Lung	—	2,207	—
Mr. Chan Lo Man	—	2,376	—
	—	13,046	—
Amounts due from related parties			
Mr. Wong Sai Yiu	250	250	—
Mr. Yiu Fai	3,360	3,276	—
Rainbow Colour Limited	170	N/A	N/A
Wing Lee Investments (International) Limited	391	520	—
Wing Lee Energy Technology Limited	—	35	—
Sanying Property HK Limited (formerly known as “Wing Lee Property Investments (Hong Kong) Limited”)	—	79	—
	4,171	4,160	—

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	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to directors			
Mr. Yiu Wang Lee	5,077	—	—
Mr. Yiu Wang Lung	155	—	—
Mr. Chan Lo Man	988	—	—
	<u>6,220</u>	<u>—</u>	<u>—</u>
Amounts due to related parties			
Mr. Yiu Fai	—	—	100
Creative Sun Engineering Limited	160	188	—
On Shing Construction Limited	36	9	—
	<u>196</u>	<u>197</u>	<u>100</u>

The amounts due from/(to) related parties and directors are unsecured, interest-free and repayable on demand. The amounts due from/(to) related parties and directors were mainly non-trade in nature except for those arising from trade transactions disclosed in Note 30(c). The carrying amounts of the amounts due from/(to) director and related parties approximate to their fair values and are denominated in HK\$.

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

(c) Transaction with related parties

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of goods and services			
On Shing Construction Limited	1,750	—	—
Kai Fung Construction Co., Limited	172	132	4
Rental payment on machinery leases			
On Shing Construction Limited	414	392	195
Solar PV system revenue			
Kai Fung Construction Co., Limited	155	—	23
Sales of material			
Kai Fung Construction Co., Limited	230	86	—
Rental income			
Kai Fung Construction Co., Limited	93	—	—

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(d) Key management compensation

Key management include executive directors and the senior management of the Group. The compensation paid or payable to key management (excluded the executive directors) for employee services is shown below:

	Year ended 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and bonuses	2,105	2,846	3,961
Pension costs — defined contribution plan .	56	72	87
	<u>2,161</u>	<u>2,918</u>	<u>4,048</u>

A director of the Group provided personal guarantee for the Group’s banking facilities during the years ended 31 March 2022, 2023 and 2024.

The transactions were conducted in the normal course of business at prices and terms as agreed between the Group and the related parties.

(e) Disposal of subsidiaries

On 13 August 2021, the 75% shareholding held by the Group in Creative Sun Engineering Limited, a former subsidiary of the Group was disposed to Azone Asia Limited (formerly known as “**Wing Lee Engineering (Asia) Limited**”), a related party of the Group at a consideration of HK\$1. As such, gain of disposal of HK\$414,000 was recognised in the combined statement of profit or loss for the year ended 31 March 2022 and the non-controlling interest of HK\$139,000 is derecognised.

On 11 August 2022, the 100% shareholding held by the Group in Sanying Property HK Limited (formerly known as “**Wing Lee Property Investments (Hong Kong) Limited**”), a former subsidiary of the Group was disposed to Mr. Yiu Wang Lee, director of the Company at a consideration of HK\$1. As such, gain of disposal of HK\$75,000 was recognised in the combined statement of profit or loss for the year ended 31 March 2023.

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31 Transactions with NCI

On 27 October 2021, the Group acquired an additional 8.1% of the issued shares of Kaiser Construction Engineering Company Limited (“**KCE**”) by injecting capital of HK\$9,200,000 into KCE. The Group recognised an increase in non-controlling interests of HK\$213,000 and a decrease in equity attributable to owners of the Company of HK\$213,000 in the year ended 31 March 2022. The remaining 1.9% of the issued shares of KCE was further acquired on 27 July 2022 at consideration of HK\$220,000. The Group recognised a decrease in non-controlling interests of HK\$583,000 and an increase in equity attributable to owners of the parent of HK\$363,000 in the year ended 31 March 2023.

On 19 January 2022, the Group acquired an additional 45% of the issued shares of Sum Hing Construction Limited (“**SHC**”) for HK\$1 after which, SHC became a wholly-owned subsidiary of the Group. The Group recognised a decrease in non-controlling interests of HK\$1,788,000 and an increase in equity attributable to owners of the Company of HK\$1,788,000 in the year ended 31 March 2022.

32 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property and equipment			
Not later than one year	—	—	3,112

33 Contingent liabilities

As at 31 March 2022, 2023 and 2024, the Group did not have any significant contingent liabilities.

34 Events after the reporting period

On 20 September 2024, Wing Lee Group (Holdings) Limited declared a final dividend with respect to the year ended 31 March 2024 amounted to HK\$30,000,000 to its then shareholders.

35 Summary of other potentially material accounting policies

35.1 Principles of combination

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are combined from the date on which control is transferred to the Group. They are decombined from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

35.2 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that makes strategic decisions.

35.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the combined financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The combined financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statement of profit or loss.

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Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

35.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statement of financial position where the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

35.5 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. See Note 3.1(b)(ii) for a description of the Group's impairment policies.

35.6 Cash and cash equivalents

In the combined statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank deposits with original maturities of three months or less, and bank overdrafts.

35.7 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

35.8 Combined capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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35.9 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 payable 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.

35.10 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 profit or loss over the period of the borrowings using the effective interest method.

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

35.11 Borrowings costs

General borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are charged to the profit or loss in the period in which they are incurred.

35.12 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions

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taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

35.13 Employee benefits

(a) Retirement benefit obligations

The Group operates a defined contribution Mandatory Provident Fund Scheme (the “**MPF Scheme**”) which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. Both the Group and the staff are required to contribute 5% of the employees’ relevant

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income with a ceiling of HK\$1,500 per month to the MPF scheme. The assets of the MPF Scheme are held in a separately administered fund. The Group's contributions to the MPF scheme are expensed as incurred.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Bonus

The Group recognises a liability and an expense for where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Long service payments

The Group's net obligation in respect of long service payments to its employees in Hong Kong upon cessation of their employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit cost method, discounted to its present value and reduced by entitlements accrued under the Group's retirement schemes that are attributed to contributions made by the Group, before the effective date of Abolition of MPF Offsetting Arrangement. The discount rate is the yield at each balance sheet date of Hong Kong Government's Exchange Fund Bills which have terms to maturity approximating the terms of the related liability. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans.

The current service cost of the defined benefit plan, recognised in the combined statement of profit or loss in employee benefit expense reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in combined statement of profit or loss.

The interest expenses are calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the combined statement of profit or loss.

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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35.14 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

35.15 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the combined and company financial statements in the period in which the dividends are approved by the shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as liability at the end of the reporting period.

35.16 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the combined statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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35.17 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised within “Other income” in the combined statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment are offset against the costs of the related assets.

III HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

As at 31 March 2024, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves as at that date.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2024 and up to the date of this report.

Save as disclosed in Notes 13 and 34, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2024.