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## SUMMARY

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*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all of the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the [REDACTED].*

*There are risks associated with any investment. Some of the particular risks associated with an investment in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this section are defined in the section headed “Definitions and Glossary of Technical Terms” in this document.*

### BUSINESS OVERVIEW

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

Our site formation works generally include earthworks, excavation and installation of steel structures. Our road and drainage works mainly include construction and modification of roads, carriageway and pavement, construction of covered walkways, renovation of subways and footbridges, provision of universal accessibility facilities at footbridges, elevated walkways and subways, construction of drainage systems, manholes, cable trenches and installation of water mains and sewerage pipes.

Our electrical cable engineering works 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. According to the Industry Report, our Group is the largest power cabling and civil pipeline installation subcontractor in Hong Kong in 2023 with the market share of approximately 13.6% based on our revenue for FY2023/24. Our Directors recognised the growing importance of renewable energy and sustainable development which are two of the main drivers for Hong Kong’s future development. Starting from 2019 and during the Track Record Period, our Group also performed design, installation and maintenance works of solar PV systems under our business segment of solar PV systems.

During the Track Record Period, we participated in certain major infrastructure projects in Hong Kong for each of our segments. For example:

- (i) in respect of our site formation works, we were one of the subcontractors participating in the infrastructure project at the third runway of the Hong Kong International Airport (i.e. the Third Runway Projects);
- (ii) in respect of our road and drainage works, we were the main contractor of a Government department for a village sewerage project at Mui Wo with a contract sum of approximately HK\$99.1 million; and
- (iii) in respect of our electrical cable engineering works, we are directly contracted by the CLP Group, being a group of companies providing electricity to more than 80% of the Hong Kong’s population, to provide zonal cable trenching, laying and jointing works as well as emergency and cable fault repair under the Master Agreement A in which we covered the Sham Shui Po and Wong Tai Sin zones. We are also a subcontractor of Kum Shing Construction, which is one of the main contractors of the CLP Group, to provide

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zonal cable trenching, laying and jointing works as well as emergency and cable fault repair under the Master Agreement B in which we cover the Tsuen Wan zone. For the salient terms of the Master Agreement A and the Master Agreement B, please refer to the paragraph headed “Business — Our customers — Master Agreement A and Master Agreement B for electrical cable engineering works” in this document. We are the only direct subcontractor of CLPe Solutions Limited and Kum Shing Construction (both as main contractor) for the scope of works set out in the Master Agreement A and the Master Agreement B (i.e. cable trenching, laying and jointing works as well as emergency and cable fault repair), respectively.

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

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

During the Track Record Period, the Third Runway Projects have been a main driver of our business and financial performance. For instance, the Third Runway Projects in aggregate contributed service revenue of approximately HK\$254.6 million, HK\$92.7 million and HK\$241.2 million for FY2021/22, FY2022/23 and FY2023/24, respectively, representing approximately 96.8%, 80.9% and 80.0% of our service revenue from site formation works and approximately 48.9%, 25.7% and 45.9% of our total revenue for the corresponding financial years.

Notwithstanding it is reported that the third runway of the Hong Kong International Airport is scheduled for completion in 2024, the scope of our Group’s involvement in the Third Runway Projects covers more than just the runway itself. This includes, among others, the passenger terminal building, airport apron, and underground works for cable ducting systems, fire service water plumbing, sewerage, oil separation, and seawater cooling discharge systems which require footings and steel structure works to be performed by our Group which are still under construction. Currently, our Third Runway Projects are expected to complete by mid-2025.

In May 2024, our Group was first included on the List of Pre-Qualified Tenderers for Civil Engineering Works of Hong Kong International Airport, enabling our Group to bid for tender projects as main contractors. It is AAHK’s policy that all projects must go through a robust and prudent procurement process and adoption of the most appropriate procurement strategies and methods. Such procurement methods may include competitive tendering or limited tendering with the objective to identify the best fit suppliers and obtain the best value of money. To the best knowledge of our Directors, (i) the invitation to tender of all AAHK’s projects would be issued and posted on AAHK’s website and be accessible by the public, save for minor civil engineering works with value not exceeding HK\$50 million; and (ii) the invitation to tender for AAHK’s minor civil engineering works with value not exceeding HK\$50 million would only be sent to or be available for downloading at the ePROS (which is an e-tendering system maintained by AAHK to automate the procurement and tendering process) for contractors which have been included on the List of Pre-Qualified Tenderers for Civil Engineering Works. Since the said inclusion, our Group has received three invitations from AAHK to submit tenders for works involving cabling

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infrastructure for enterprise 5G enhancement, enabling works for airside access of transit mail centre, and modification works in North and South Aircraft Recovery Equipment Stores, respectively, in August 2024. As of 21 September 2024, (i) our Group has already submitted tender documents on 9 September 2024 via ePROS for one of the tenders; and (ii) the submission period of the other two tenders has not yet lapsed and our Group is in the process of preparing the tender documents for submission. Hence, upon the expected completion of the Third Runway Projects in mid-2025, our Group will also be eligible to submit tenders for various maintenance and upkeep works at the Hong Kong International Airport. In fact, according to AAHK’s Annual Report 2023/24, the expenses related to repairs and maintenance, as well as the costs of outsourcing business operations to third-party contractors was approximately HK\$2.33 billion, accounting for approximately 28.1% of AAHK’s total operating expenses in FY2023/24. The said sum has increased by appropriately 19.8% as compared to that of the previous financial year, which shows the trend of AAHK to increase its investment in repairs and maintenance of the Hong Kong International Airport in recent years. In addition, our Group is currently in advanced or final stage of negotiation for some projects for which we have submitted tenders (the details of which are set out in the paragraph headed “Future Plans and [REDACTED] — [REDACTED]” in this document). Having considered the above, our Directors consider that the completion of the Third Runway Projects by mid-2025 will not have a material adverse impact on our Group’s business prospects. Furthermore, as mentioned previously, given that our Group is on the List of Pre-Qualified Tenderers for Civil Engineering Works of Hong Kong International Airport, upon completion of the Third Runway Projects, our Group would be able to free up our capacity (in terms of human resources, working capital, as well as our machinery and equipment, etc.). This would allow us to bid for tender projects for other civil engineering works at the Hong Kong International Airport going forward.

### Projects undertaken during the Track Record Period

#### *Revenue by project sectors*

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

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

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

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

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### *Revenue by our role*

We undertook projects as both main contractor and subcontractor during the Track Record Period. The table below sets forth a breakdown of our service revenue by our role in the projects during the Track Record Period:

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

### *Reasons for the decrease in our revenue for FY2022/23*

Our Group's revenue decreased by approximately 30.6% from approximately HK\$520.4 million for FY2021/22 to approximately HK\$361.2 million for FY2022/23, which was mainly attributable to the decrease in our service revenue derived from site formation works, from approximately HK\$263.0 million for FY2021/22 to approximately HK\$114.6 million for FY2022/23, caused mainly by the completion of Project No. #01 towards the end of FY2021/22 whilst Project No. #07 (with contract sum of approximately HK\$577.1 million) and Project No. #08 (with contract sum of approximately HK\$189.2 million) only commenced in December 2022 and July 2022, respectively. Consequently a significant portion of the revenue from these two projects had not yet been recognised in FY2022/23 but in FY2023/24.

### *Gross profit and gross profit margin*

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

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

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

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

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

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

Our service gross profit margin increased from approximately 14.6% for FY2021/22 to approximately 17.5% for FY2022/23, and increased further to approximately 23.0% for FY2023/24. The increase in our service gross profit margin for FY2022/23 was mainly driven by the increase in our service gross profit margin for electrical cable engineering works, which was mainly because during the Track Record Period we deployed more direct labour and reduced the use of subcontractors. The increase in our service gross profit margin for FY2023/24 was mainly driven by the increase in our service gross profit margin for site formation works and electrical cable engineering works. The increase in our service gross profit margin for site formation works was due to the fact that we incurred substantially less machinery and equipment leasing expenses as we deployed our own machinery resulting in overall saving of our cost of services.

### Backlog

The following table sets out movement in the number of our projects during the Track Record Period and up to 31 July 2024:

	FY2021/22	FY2022/23	FY2023/24	From 1 April 2024 up to 31 July 2024
Opening number of projects . . . . .	15	27	32	24
Add: Number of new projects awarded to us . . . . .	27	32	29	9
Less: Number of projects completed . . . . .	(15)	(27)	(37)	(6)
<b>Ending number of projects . . . . .</b>	<b>27</b>	<b>32</b>	<b>24</b>	<b>27</b>

Considering that Project No. #01 would be substantially completed towards the end of FY2021/22, our Company took the view to strive to increase the likelihood of successful tender by adopting a more price competitive approach in respect of the tenders submitted during FY2021/22 thereby strengthening our project portfolio, and as a result the number of our new projects awarded increased from 27 for FY2021/22 to 32 for FY2022/23 (including our key projects, namely Project No. #07 and Project No. #08). In balancing our resources to undertake the abovementioned new key projects and our capacity to take up other additional new projects, we lowered the number of tenders submitted during FY2023/24 resulting in the decrease in the number of projects awarded during the same financial year.

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The following table sets forth the movement in the value of backlog of our projects (excluding the Master Agreement A, the Master Agreement B and the Master Agreement C) during the Track Record Period and up to 31 July 2024:

	FY2021/22	FY2022/23	FY2023/24	From 1 April 2024 up to 31 July 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog as at the beginning of the relevant year/period . . . . .	120,651	221,364	722,016	707,582
Add: Total value of contract works awarded during the relevant year/period . . . . .	414,793	715,962	395,427	340,147
Less: Total service revenue recognised during the relevant year/period . . . . .	(314,080)	(215,310)	(409,861)	(232,278)
Ending value of backlog to be carried forward to next year/period . . . . .	<u>221,364</u>	<u>722,016</u>	<u>707,582</u>	<u>815,451</u>

During the Track Record Period, our annual average aggregate revenue derived from the Master Agreement A and the Master Agreement B relating to our electrical cable engineering works for the CLP Group was approximately HK\$116.7 million. Despite the expiry of the original term of the above agreements in November 2023, both the CLP Group and Kum Shing Construction exercised the renewal option for another year, extending the agreements until 30 November 2024.

As at the Latest Practicable Date, we had submitted 51 contract tenders which were still undergoing tender selection process. Of these 51 tenders, we are positive that we shall be able to secure three projects, taking into consideration latest negotiation with the relevant prospective customers. Further details are set out in the section headed “Future Plans and [REDACTED]”.

### Tender success rate

The following table sets forth the number of projects for which we have submitted tenders, the number of projects awarded and the tender success rate during the Track Record Period:

	FY2021/22	FY2022/23	FY2023/24
Number of projects for which we have submitted tenders . . . . .	56	74	62
— <i>Public sector</i> . . . . .	54	66	42
— <i>Private sector</i> . . . . .	2	8	20
Number of projects awarded . . . . .	19	21	18
— <i>Public sector</i> . . . . .	19	18	15
— <i>Private sector</i> . . . . .	—	3	3
Overall tender success rate (%) <sup>(Note 1)</sup> . . . . .	33.9	28.4	29.0 <sup>(Note 2)</sup>
— <i>Public sector (%)</i> . . . . .	35.2	27.3	35.7
— <i>Private sector (%)</i> . . . . .	0.0	37.5	15.0

*Notes:*

- In the above table, success rate for a financial year is calculated based on the number of projects awarded (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year.
- Out of the 62 projects tendered during FY2023/24, the tender results of 51 projects were still pending as at the Latest Practicable Date.

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Our tender success rate decreased from approximately 33.9% for FY2021/22 to approximately 28.4% for FY2022/23 and remained relatively stable at approximately 29.0% for FY2023/24. The slight decrease in our overall tender success rate from FY2021/22 to FY2022/23 was mainly because (i) considering that Project No. #01 would be substantially completed towards the end of FY2021/22, we sought to increase the likelihood of successful tender by adopting a more price competitive approach in respect of the tenders submitted during FY2021/22, thereby strengthening our project portfolio; and (ii) during FY2022/23 we submitted more tenders (FY2021/22: 56; FY2022/23: 74) with a view to further build up the number of projects awarded to us.

During the Track Record Period, our service revenue was mainly contributed by public sector projects in terms of amount and number of projects, and our service revenue from private sector projects was mainly contributed by the Master Agreement A and the Master Agreement B which are both fixed-term contracts. Considering the market outlook and competitive landscape of the construction industry in Hong Kong, we took the view to focus more on public sector projects than private sector projects during the Track Record Period. For example, according to the Industry Report, Government spending on infrastructure has demonstrated stability, increasing at a CAGR of approximately 0.7% from approximately HK\$85.6 billion in 2018 to approximately HK\$88.7 billion in 2023, and the Government intends to maintain its commitment to infrastructure investment, as stated in the 2024/2025 Budget Speech, and it is projected that annual capital works expenditures will increase to approximately HK\$106.1 billion in 2024/2025 representing an increase of approximately 13.5% from approximately HK\$93.3 billion in 2018/2019. As such, the number of public sector projects for which we submitted tenders and the number of public sector projects we were awarded during the Track Record Period were greater than that for private sector projects, and our tender success rate for public sector projects was more representative than our private sector projects. Nonetheless, during FY2023/24, we were awarded a key private sector project, namely Project No. #11, with contract sum of approximately HK\$27.4 million, which is one of our material on-going projects as at the Latest Practicable Date.

### **Business relationship with the CLP Group and Kum Shing Construction under the Master Agreement A and the Master Agreement B**

Our Group (as subcontractor) entered into the Master Agreement A and the Master Agreement B on a fixed-term contract basis with CLPe Solutions Limited and Kum Shing Construction (both as main contractor) for the provision of zonal cable trenching, laying and jointing works as well as emergency and cable fault repair, respectively. For FY2021/22, FY2022/23 and FY2023/24, the aggregate revenue contributed by the Master Agreement A and the Master Agreement B amounted to approximately HK\$113.5 million, HK\$123.6 million and HK\$113.1 million respectively, representing (i) approximately 88.9%, 98.5% and 99.9% of our service revenue from electrical cable engineering; (ii) approximately 25.9%, 36.5% and 21.6% of our total service revenue; and (iii) approximately 21.8%, 34.2% and 21.5% of our total revenue for the corresponding financial years. The original term of both the Master Agreement A and the Master Agreement B commenced on 1 December 2020 and expired on 30 November 2023. Upon expiry of the original term, both main contractors had exercised their rights under the Master Agreement A and the Master Agreement B to extend the original term for another year (i.e. until 30 November 2024). Our executive Directors confirm that, as at the Latest Practicable Date, (i) both CLPe Solutions Limited and Kum Shing Construction have not expressed any indication that CLPe Solutions Limited and Kum Shing Construction will not exercise the renewal option for another year; and (ii) we are currently negotiating with CLPe Solutions Limited and Kum Shing Construction on new fixed-term master agreements with a tentative initial term of four years with option to extend the term for up to four years on an annual basis commencing in December 2024.

For the related risk factor on renewal, please refer to the paragraph headed “Risk Factors — We entered into the Master Agreement A and the Master Agreement B on a fixed-term contract basis for the provision of zonal cable trenching, laying and jointing works as well as emergency and cable fault repair and there is no assurance that we will be able to renew the agreements upon expiry at commercially acceptable terms or at all” in this document.

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### **Our customers**

During the Track Record Period, our customers mainly included the CLP Group (a company which provides electricity to more than 80% of the Hong Kong’s population) and its main contractors, construction contractors in Hong Kong, joint ventures formed by PRC state-owned enterprises through their subsidiaries, and various Government departments.

For FY2021/22, FY2022/23 and FY2023/24, the revenue derived from our top customer for each year during the Track Record Period amounted to approximately HK\$168.5 million, HK\$86.7 million and HK\$171.6 million, respectively, while the revenue derived from our top five customers for each year during the Track Record Period amounted to approximately HK\$440.7 million, HK\$220.5 million and HK\$380.7 million in aggregate, respectively. For FY2021/22, FY2022/23 and FY2023/24, the percentage of our total revenue attributable to our top customer for each year amounted to approximately 32.4%, 24.0% and 32.6%, respectively. The percentage of our total revenue attributable to our top five customers for each year in aggregate amounted to approximately 84.6%, 61.0% and 72.3%, respectively for the corresponding years. As advised by Frost & Sullivan, client concentration is a common occurrence within the civil engineering sector, in both public and private sectors. Our Directors consider that our Group’s business model is sustainable despite such customer concentration. For further details of such customer concentration, please refer to the paragraph headed “Business — Our customers — Customer concentration” in this document.

When we undertake projects for our customers, there may be occasions where our customers procure materials and provide other services on our behalf and subsequently deduct such amounts in the relevant progress payments to us. The procurement made by our customers on our behalf mainly included materials such as fuel and concrete. For FY2021/22, FY2022/23 and FY2023/24, we incurred approximately HK\$18.3 million, HK\$17.1 million, and HK\$0.8 million, respectively, for the procurement of materials and other services from our customers, representing approximately 4.3%, 6.0% and 0.2% of our total cost of services for the corresponding years, respectively.

### **Our suppliers**

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue carrying on our business mainly include (i) subcontractors; (ii) suppliers of materials such as steel, uPVC pipes and solar PV panels; and (iii) suppliers of other miscellaneous services such as machinery rental services, testing services and technical consultancy services.

For FY2021/22, FY2022/23 and FY2023/24, the percentage of our total purchases from our top supplier for each year amounted to approximately 7.7%, 3.7% and 10.6% of our total cost of services, respectively, while the percentage of our total purchases from our top five suppliers for each year in aggregate amounted to approximately 30.3%, 13.5% and 22.3%, respectively.

### **Licences and registrations**

During the Track Record Period and up to the Latest Practicable Date, our Group had obtained the licences and registrations including registration as Registered Electrical Contractor, Contractor on the List of Approved Contractors for Public Works (Roads and Drainage under Group A on probation), Registered Specialist Trade Contractor and Registered Minor Works Contractor as at Latest Practicable Date.

For further details, please refer to the paragraph headed “Business — Licences and registrations” in this document.



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### COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

#### Civil Engineering Industry in Hong Kong

According to the Census and Statistics Department, the gross value of civil engineering works performed by main contractors in Hong Kong recorded an overall incline from approximately HKD49,356.0 million in 2019 to HKD57,892.0 million in 2023, representing a CAGR of approximately 3.2%. The rollout and commencement of projects such as Kwu Tung North (KTN) and Fanling North (FLN) New Development Area (NDA), Kau Yi Chau Artificial Island under the Lantau Tomorrow Vision, Tung Chung New Town Extension in the coming few years, shall sustain demand for civil engineering works, the gross value of civil engineering works in Hong Kong is expected to increase at a CAGR of 3.5% during 2024 to 2028.

The civil engineering industry in Hong Kong is relatively concentrated. As estimated by Frost & Sullivan, the aggregate market share of top three market participants in civil engineering industry in Hong Kong in 2023 was approximately 22.4%. Our Group recorded revenue of HKD365.5 million, accounting for a market share of approximately 0.6% in the overall civil engineering industry in Hong Kong in 2023.

#### Electrical Engineering Industry in Hong Kong

Based on Frost & Sullivan’s estimate, the market size of overall electrical works in Hong Kong increased from HK\$18.4 billion in 2018 to HK\$22.2 billion in 2023, representing a CAGR of approximately 4.6% during 2018 to 2023, and is projected to further climb to HK\$26.5 billion by 2028, maintaining a CAGR of around 3.9% between 2024 and 2028.

The electrical construction works in Hong Kong is relatively fragmented. According to Construction Industry Council (“CIC”), there were approximately 1,778 subcontractors on the List of Registered Subcontractors under the trade code of “Electrical” of CIC as of April 2024. Among the registered contractors, it is estimated that there were approximately 600 market participants in the power cabling & civil pipeline installation market in Hong Kong in 2023 and there were approximately 300 market participants in the solar system construction and maintenance market in Hong Kong in 2023. According to the Industry Report, our Group is the largest power cabling & civil pipeline installation subcontractor in Hong Kong in 2023 with the market share of 13.6%.

We believe that our competitive strengths include: (i) we have an established track record in the civil and electrical cable engineering industries in Hong Kong; (ii) we have diverse experience and capabilities in a wide spectrum of construction services; (iii) we possess our own labour and own a fleet of machinery and equipment to undertake a wide range of construction projects; and (iv) our management team is experienced, dedicated and is up-to-date with the development of the construction industry.

### BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the construction industry in Hong Kong.

We intend to pursue the following key business strategies: (i) acquiring additional electric machinery and equipment to enhance our operational capacity for our ongoing and upcoming projects and to seize the opportunity for sustainable construction; (ii) competing for more sizeable projects; (iii) expanding our manpower for project execution and strengthening the skills of our employees; and (iv) enhancing our occupational safety and project implementation efficiency through information technology.

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## SUMMARY

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### SALES AND MARKETING AND PRICING STRATEGY

During the Track Record Period, we secured new business mainly through invitations for tender by customers. For public sector projects in which we act as main contractor, we identify potential projects from publications on the websites of different Government departments. We may also receive invitations from different Government departments to submit tenders since we are registered on the List of Approved Contractors for Public Works maintained by the Development Bureau under Group A on probation of the Roads and Drainage category. Our Directors consider that due to our proven track record and our relationship with our existing customers, we are able to leverage our existing customer base and our reputation in civil and electrical cable engineering industries in Hong Kong such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management.

Our pricing is generally determined based on certain mark-up over our estimated costs. Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the scope of services; (ii) the price trend for the types of materials and subcontracting services required; (iii) the complexity and the location of the project; (iv) the estimated number and types of machinery required; (v) the completion time requested by customers; and (vi) the availability of our labour and financial resources.

### RISK FACTORS

[REDACTED] are advised to carefully read the section headed “Risk factors” in this document before making any investment decision in the [REDACTED]. Some of the more particular risk factors include the following: (i) most of our revenue during the Track Record Period was derived from projects awarded by our top five customers and any significant decrease in the number of projects with our top five customers may materially and adversely affect our financial performance; (ii) reduction or termination of public and private sector projects in Hong Kong may adversely affect our revenue and results of operations; (iii) our revenue is mainly derived from projects which are non-recurrent in nature and there is no guarantee that our customers will provide us with new businesses; and (iv) potential mismatch in time between receipt of payments from our customers, payment of project up-front costs, and payments to our suppliers may adversely affect our cash flows.

### IMPACT OF THE OUTBREAK OF COVID-19 ON OUR OPERATIONS

The outbreak of COVID-19 was first reported in December 2019 and has expanded in Hong Kong and globally. From January 2022 and up to April 2022, Hong Kong recorded the fifth wave of the outbreak of COVID-19, as the daily number of confirmed cases increased significantly during that period. In early 2023, the Government gradually relaxed the stringent anti-epidemic measures. During the Track Record Period, we did not encounter prolonged closure of our work sites and there was no substantial delay in our projects in progress. For instance, for the Third Runway Projects, our Group only experienced temporary closure of sites due to the infected cases as informed by our customers. Such temporary closure of work sites lasted for less than 10 days during the Track Record Period. Based on the information available as at the Latest Practicable Date, our Directors confirm that the COVID-19 did not and will not have material adverse impact on our business operations and financial performance.

## SUMMARY

### SUMMARY OF KEY FINANCIAL INFORMATION

#### Summary of combined statements of profit or loss

	Year ended 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Revenue . . . . .	520,351	361,207	526,099
Cost of sales . . . . .	(426,738)	(285,674)	(404,492)
<b>Gross profit . . . . .</b>	<b>93,613</b>	<b>75,533</b>	<b>121,607</b>
<b>Profit before income tax . . . . .</b>	<b>70,510</b>	<b>47,647</b>	<b>92,916</b>
Income tax expenses . . . . .	(11,455)	(7,082)	(16,009)
<b>Profit for the year . . . . .</b>	<b>59,055</b>	<b>40,565</b>	<b>76,907</b>

#### Non-HKFRS financial measure

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

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

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

#### Adjusted net profit (Non-HKFRS measure)

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

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

## SUMMARY

### Summary of combined statements of financial position

	As at 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets . . . . .	62,052	55,739	92,762
Current assets . . . . .	206,779	202,646	273,015
Non-current liabilities . . . . .	17,635	14,509	23,440
Current liabilities . . . . .	172,745	124,881	186,945
Net current assets . . . . .	34,034	77,765	86,070
Net assets . . . . .	78,451	118,955	155,392

### Summary of combined statements of cash flows

	FY2021/22	FY2022/23	FY2023/24
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Net cash inflow from operating activities . .	7,919	36,778
Net cash outflow from investing activities .	(5,493)	(35,872)	(39,608)
Net cash inflow/(outflow) from financing activities . . . . .	2,000	(8,779)	(7,892)
Net increase/(decrease) in cash and cash equivalents. . . . .	4,426	(7,873)	21,891
Cash and cash equivalents at beginning of the financial year. . . . .	8,917	13,343	5,470
Cash and cash equivalents at end of the financial year. . . . .	<u>13,343</u>	<u>5,470</u>	<u>27,361</u>

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

### Key financial ratios

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

	As at/For the year ended 31 March		
	2022	2023	2024
	Gross profit margin . . . . .	18.0%	20.9%
Net profit margin . . . . .	11.3%	11.2%	14.6%
Return on equity . . . . .	75.3%	34.1%	49.5%
Return on assets . . . . .	22.0%	15.7%	21.0%
Current ratio . . . . .	1.2	1.6	1.5
Gearing ratio <sup>(Note)</sup> . . . . .	64.6%	44.7%	34.1%
Interest coverage ratio . . . . .	53.9	25.9	40.3

*Note:* Gearing ratio represents total interest-bearing borrowings and lease liabilities, less cash and cash equivalents, divided by total equity as at the end of a year.

For further details of the key financial ratio, please refer to the paragraph headed “Financial Information — Selected financial ratios” in this document.

## SUMMARY

### CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme or any Shares that may be granted under the Share Award Scheme), Wing Lee Green Development will be interested in approximately [REDACTED]% of the issued share capital of our Company. Wing Lee Green Development is an investment holding company incorporated in the BVI and is owned as to 68% by Mr. Yiu, 17% by Mr. Yiu Wang Lung and 15% by Mr. Chan. On the basis that Mr. Yiu, Mr. Yiu Wang Lung and Mr. Chan hold their respective interests in our Company through a common investment holding company, namely Wing Lee Green Development, which, in turn, will be entitled to exercise 30% or more of the voting power at general meetings of our Company, Wing Lee Green Development, Mr. Yiu, Mr. Yiu Wang Lung and Mr. Chan are regarded as a group of Controlling Shareholders under the Listing Rules. For details of the shareholding interests of the Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this document.

### LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group were involved in certain litigation and may be subject to certain potential claims in the ordinary and usual course of our business. As at the Latest Practicable Date, we were involved in an ongoing litigation where a third party, who was involved in a traffic accident and sustained personal injuries, commenced a legal action against us. The next hearing of the case is scheduled on 12 February 2025. For further details, please refer to the paragraph headed “Business — Litigation and Claims” in this document.

### [REDACTED] STATISTICS

Number of the [REDACTED]:	[REDACTED] Shares (subject to the [REDACTED])
[REDACTED]:	Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED] (subject to the [REDACTED], excluding brokerage, Stock Exchange trading fee, SFC transaction levy and AFRC transaction levy)

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED], after a [REDACTED] of [REDACTED]%	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
	HK\$	HK\$	HK\$
[REDACTED] <sup>(Note 1)</sup> .....	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] adjusted combined net tangible assets per Share <sup>(Note 2)</sup> .....	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

1. The calculation of the [REDACTED] of the Shares is based on the [REDACTED] Shares in issue and to be issued immediately after completion of the [REDACTED], without taking into account of any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Incentive Schemes or Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate and the repurchase mandate.
2. The calculation of the [REDACTED] adjusted combined net tangible assets per Share was calculated on the basis that [REDACTED] Shares were in issue assuming the [REDACTED] and the [REDACTED] had taken place on 31 March 2024, without taking into account of any Shares that may be allotted and issued upon the exercise of the [REDACTED], or any Shares that may be allotted and issued or repurchased by our Company pursuant to the general mandates.

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## SUMMARY

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3. The [REDACTED] adjusted combined net tangible assets does not take into account the HK\$30,000,000 dividend declared on 20 September 2024 which will be paid before the [REDACTED]. Had such dividend been taken into account, the [REDACTED] adjusted combined net tangible assets per Share would be HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, based on the [REDACTED] of HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, respectively.

Please refer to Appendix II to this document for the bases and assumptions in calculating the figures.

### [REDACTED] EXPENSES

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

### DIVIDEND

For FY2021/22, FY2022/23 and FY2023/24, members of our Group declared dividends in aggregate of nil, nil, and approximately HK\$40.5 million, to their then shareholders, respectively. As at the Latest Practicable Date, the dividends were either settled by cash or set off against the amount due from Director. On 20 September 2024, we declared final dividends of approximately HK\$30.0 million in respect of FY2023/24, which will be paid before [REDACTED] by our Group's internal source of funding.

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

### FUTURE PLANS AND [REDACTED]

We estimate that the [REDACTED] from the [REDACTED] (assuming the [REDACTED] is not exercised) based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], after deducting the related [REDACTED] expenses, are estimated to be approximately HK\$[REDACTED]. We intend to apply such [REDACTED] as follows: (i) approximately HK\$[REDACTED] or approximately [REDACTED]% will be used for acquiring additional electric machinery and equipment comprising, among others, electric excavators, portable combo fast charging stations, dump trucks, electric cement mixers and electric crawler

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## SUMMARY

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cranes required for our site formation works, road and drainage works and electrical cable engineering works; (ii) approximately HK\$[REDACTED] or approximately [REDACTED]% will be used for paying upfront costs for our new projects; (iii) approximately HK\$[REDACTED] or approximately [REDACTED]% will be used for recruiting new staff members; (iv) approximately HK\$[REDACTED] or approximately [REDACTED]% will be used for procuring Smart Site Safety System (4S) and an enterprise resources planning system; and (v) approximately HK\$[REDACTED] or approximately [REDACTED]% will be reserved for our general working capital.

### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We did not experience any significant decrease in revenue or any unexpected increase in the direct costs and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. As far as our Directors are aware, there are no material adverse changes affecting the industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, (i) the impact of the [REDACTED] expenses on our combined statement of profit or loss; and (ii) our Group’s legal and professional fees and staff costs are expected to increase after the [REDACTED] which has posed or will pose a material adverse change in the financial or trading position or prospects of our Group since 31 March 2024. [REDACTED] should be aware of the above impacts on the financial performance of our Group for the year ending 31 March 2025.

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

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

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