

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GOLDEN LEAF INTERNATIONAL GROUP LIMITED AND ALLIANCE CAPITAL PARTNERS LIMITED

Introduction

We report on the historical financial information of Golden Leaf International Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-77, which comprises the consolidated statements of financial position of the Group as at 31 March 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 March 2024 and 2025 (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-77 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 2025 (the “**Prospectus**”), in connection with the initial listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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 preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' 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 (the "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 accountants' judgment, 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 accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 of the Company, 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 accountants' report, a true and fair view of the Group's financial position as at 31 March 2024 and 2025, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 declared by the group entities comprising the Group in respect of the Track Record Period.

No historical financial statements for the Company

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



Moore CPA Limited

Certified Public Accountants

Ng Ngai Yan

Practising Certificate Number: P07422

Hong Kong

30 September 2025

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 accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Golden Leaf International (Hong Kong) Limited for the Track Record Period. The consolidated financial statements have been prepared in accordance with the accounting policies which conform with HKFRS Accounting Standards issued by the HKICPA and were audited by Moore CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the **"Underlying Financial Statements"**).

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2024	2025
	Notes	HK\$'000	HK\$'000
Revenue	6	123,010	154,534
Cost of services		(99,215)	(123,085)
Gross profit		23,795	31,449
Other income and other gains or losses	7	259	516
Provision for expected credit losses, net	8	(284)	(265)
Administrative expenses		(10,967)	(12,670)
Finance costs	9	(468)	(492)
Listing expenses		—	(1,407)
Profit before income tax	10	12,335	17,131
Income tax expense	11	(1,962)	(3,057)
Profit for the year attributable to owners of the Company		10,373	14,074
Other comprehensive income/(loss):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		16	(9)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of provision for long service payment		(12)	(44)
Other comprehensive income/(loss) for the year, net of income tax		4	(53)
Total comprehensive income for the year attributable to owners of the Company		10,377	14,021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March	
		2024	2025
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	15	795	801
Right-of-use assets	16	1,917	940
Investment property	17	4,284	3,948
Intangible assets	18	660	764
Life insurance policy deposits and prepayments	19	6,217	6,358
Goodwill	20	—	—
Prepayments and deposits	23	675	353
		<u>14,548</u>	<u>13,164</u>
Current assets			
Trade receivables	21	19,692	30,264
Contract assets	22	24,226	17,883
Other receivables, prepayments and deposits	23	5,936	7,691
Amounts due from directors	24	5,980	6,683
Pledged bank deposits and restricted cash	25	—	1,850
Cash and cash equivalents	25	19,879	16,072
		<u>75,713</u>	<u>80,443</u>
Current liabilities			
Trade and other payables and accruals	26	24,889	20,407
Contract liabilities	27	4,553	1,236
Lease liabilities	28	970	832
Bank borrowings	29	6,314	6,192
Dividend payable		3,000	5,000
Income tax payable		1,305	2,463
		<u>41,031</u>	<u>36,130</u>
Net current assets		<u>34,682</u>	<u>44,313</u>
Total assets less current liabilities		<u>49,230</u>	<u>57,477</u>

		As at 31 March	
		2024	2025
		HK\$'000	HK\$'000
	Notes		
Non-current liabilities			
Lease liabilities	28	1,050	212
Deferred tax liabilities	30	217	194
Provision for long service payment	34	129	216
		1,396	622
Net assets		47,834	56,855
Equity			
Share capital	31	1,000	1,000
Reserves	32	46,834	55,855
Total equity		47,834	56,855

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Share capital	Translation reserve	Retained profits	Total
	HK\$'000 (Note 31)	HK\$'000 (Note 32)	HK\$'000	HK\$'000
At 1 April 2023	1,000	—	39,457	40,457
Profit for the year	—	—	10,373	10,373
Other comprehensive income/(loss) for the year, net of tax	—	16	(12)	4
Total comprehensive income for the year	—	16	10,361	10,377
Interim dividend (Note 13)	—	—	(3,000)	(3,000)
At 31 March 2024 and 1 April 2024 ..	1,000	16	46,818	47,834
Profit for the year	—	—	14,074	14,074
Other comprehensive loss for the year, net of tax	—	(9)	(44)	(53)
Total comprehensive income for the year	—	(9)	14,030	14,021
Interim dividend (Note 13)	—	—	(5,000)	(5,000)
At 31 March 2025	1,000	7	55,848	56,855

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 March	
		2024	2025
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Profit before income tax		12,335	17,131
Adjustments for:–			
Amortisation of intangible assets	10	111	202
Amortisation of life insurance policy prepayments	10	41	41
Bank interest income	7	(225)	(73)
Depreciation on property, plant and equipment	10	202	248
Depreciation on right-of-use assets	10	819	971
Fair value loss on investment property	7	546	336
Finance costs	9	468	492
Insurance charges on life insurance policies	10	96	70
Imputed interest income from life insurance policy deposits	7	(256)	(270)
Insurance loss/(gain) — change in surrender values	7	2	(12)
Provision for expected credit loss, net	8	284	265
Provision for long service payment		27	43
Operating profit before working capital changes		14,450	19,444
Increase in trade receivables		(2,477)	(10,932)
(Increase)/decrease in contract assets		(13,247)	6,441
Increase in other receivables, prepayments and deposits		(118)	(980)
Increase in trade and other payables and accruals		6,471	4,514
Increase/(decrease) in contract liabilities		2,544	(3,317)
Cash generated from operations		7,623	15,170
Income tax paid		(2,006)	(1,922)
Net cash from operating activities		5,617	13,248

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Cash flows from investing activities		
Bank interest income	225	73
Purchase of property, plant and equipment	(164)	(254)
Payments for life insurance policy deposits and prepayments	(700)	—
Placement of pledged bank deposits and restricted cash	—	(1,850)
Capital expenditure of system development costs	(556)	(306)
Advances to directors	(2,285)	(2,383)
Repayments from directors	175	1,680
Net cash used in investing activities	(3,305)	(3,040)
Cash flows from financing activities		
Dividend paid	—	(3,000)
Repayments of bank borrowings	(6,123)	(9,243)
Interests paid on bank borrowings	(340)	(375)
Repayments of lease liabilities — principal	(784)	(969)
Repayments of lease liabilities — interests	(128)	(117)
Payments of issue costs	—	(332)
Net cash used in financing activities	(7,375)	(14,036)
Net decrease in cash and cash equivalents	(5,063)	(3,828)
Cash and cash equivalents at beginning of year	24,913	19,879
Effect of foreign exchange rate changes, net	29	21
Cash and cash equivalents at end of year	19,879	16,072
Analysis of cash and cash equivalents		
Bank balances and cash in hand	19,879	16,072

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 29 April 2025. The address of the registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company's principal place of business is located at 23/F., New Venture Centre, 18 Lam Tin Street, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation below. The principal activities of the operating companies becoming the Company's subsidiaries now comprising the Group are electrical and mechanical ("**E&M**") engineering works specialise in the supply, installation and maintenance and inspection of (i) heating ventilation and air-conditioning systems ("**HVAC systems**"); (ii) electrical systems; and (iii) plumbing and drainage systems (the "**Listing Business**").

The Historical Financial Information is presented in HK\$ which is also the functional currency of the Company.

Mini Universe Holdings Limited ("**Mini Universe**"), a company incorporated in the British Virgin Islands (the "**BVI**"), is the immediate holding company of the Company, and in the opinion of the directors of the Company, is also the ultimate holding company of the Company and controlled by Mr. Ip Kam Yik ("**Mr. KY Ip**", the "**Controlling Shareholder**").

Pursuant to a group reorganisation (the "**Reorganisation**") which was completed on 11 June 2025 and an acquisition of a subsidiary after the Track Record Period as mentioned in Note 41 which was completed on 11 June 2025, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Development and Reorganisation" of the Prospectus issued in connection with the initial listing of the shares of the Company on GEM of the Stock Exchange (the "**Listing**"), the Company became the holding company of the entities now comprising the Group.

During the Track Record Period and as at the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct or indirect interests, are as follows:

Name of the subsidiary	Place and date of incorporation/ establishment	Particulars of issued and fully paid-up share capital	Attributable equity interest						Principal activities/ place of operation
			At 31 March 2024		At 31 March 2025		At the date of this report		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	
Infinite Circuit Holdings Limited ("Infinite Circuit") (Note (a))	The BVI 23 May 2025	United States dollar ("US\$") 1	N/A	N/A	N/A	N/A	100%	—	Investment holding/ The BVI
NovaPrime Engineering Holdings Limited ("NovaPrime Engineering") (Note (a))	The BVI 23 May 2025	US\$1	N/A	N/A	N/A	N/A	100%	—	Investment holding/ The BVI
Golden Leaf International (Hong Kong) Limited ("Golden Leaf HK") (Note (b))	Hong Kong 30 September 2006	HK\$1,000,000	—	100%	—	100%	—	100%	E&M engineering and maintenance and inspection/ Hong Kong
Golden Leaf International Limited ("Golden Leaf International") (Note (b))	Hong Kong 31 December 2009	HK\$300	—	100%	—	100%	—	100%	Inactive
Universal Protech Limited ("Universal Protech") (Note (b))	Hong Kong 16 October 2006	HK\$1	—	100%	—	100%	—	100%	Inactive
靈動源創工程服務(深圳)有限公司 Sapient Visionnaire Engineering Services (Shenzhen) Limited ("Sapient Visionnaire") (Notes (b) and (c))	The People's Republic of China (the "PRC") 28 November 2023	Renminbi ("RMB") 1,000,000	—	100%	—	100%	—	100%	Provision of information technology support/The PRC
Xuan Holding Limited ("Xuan Holding") (Note (d))	Hong Kong 12 August 2022	HK\$100	N/A	N/A	N/A	N/A	—	100%	Investment holding/ Hong Kong

All subsidiaries now comprising the Group have adopted 31 March as their financial year end date except for the PRC subsidiary which has adopted 31 December as its financial year end date. None of the entities now comprising the Group had issued any debt securities at the end of each of the reporting period.

Notes:

- (a) No audited financial statements have been prepared for the period from the date of incorporation to the date of this report as there is no statutory audit requirement in the country of its incorporation.
- (b) Golden Leaf International, Universal Protech and Sapient Visionnaire are the wholly-owned subsidiaries of Golden Leaf HK during the Track Record Period. The statutory consolidated financial statements of Golden Leaf HK for the year ended 31 March 2024 which are prepared in accordance with HKFRS Accounting Standards issued by the HKICPA, were audited by Pro Max CPA Limited, Certified Public Accountants in Hong Kong. The statutory consolidated financial statements of Golden Leaf HK for the year ended 31 March 2025 which are prepared in accordance with HKFRS Accounting Standards issued by the HKICPA, were audited by Moore CPA Limited, Certified Public Accountants in Hong Kong.
- (c) The official name of this entity is in Chinese. The English translation is for identification purpose only. No audited statutory financial statements of this entity have been prepared as there were no requirements to issue audited statutory financial statements by local authority.
- (d) Xuan Holding was acquired after the Track Record Period as disclosed in Note 41.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared based on the material accounting policy information set out in Note 4 below which are in conformity with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. The Historical Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The Historical Financial Information has been prepared under the historical cost convention, except for the investment property which has been measured at fair value at each reporting date.

In preparation for the Listing, the entities in the Group underwent the Reorganisation pursuant to which the Company became the holding company of the Group.

Prior to the Reorganisation, Golden Leaf International, Universal Protech and Sapient Visionnaire are the wholly-owned subsidiaries of Golden Leaf HK, of which 86% was held by Mr. KY Ip, the Controlling Shareholder, and the remaining 14% was held by Mr. Lui Kwok Kit (“Mr. Lui”). Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried out by Golden Leaf HK. Upon the completion of the Reorganisation, Golden Leaf HK was transferred and indirectly held by the Company.

The Reorganisation involved the following steps:—

(i) Incorporation of Mini Universe and Visionary Horizons Holdings Limited (“Visionary Horizons”)

On 15 April 2025, Mini Universe was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On the date of its incorporation, one share was initially allotted and issued as fully paid at the subscription price of US\$1 to Mr. KY Ip as the initial subscriber, representing 100% of the issued share capital of Mini Universe.

On 15 April 2025, Visionary Horizons was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On the date of its incorporation, one share was initially allotted and issued as fully paid at the subscription price of US\$1 to Mr. Lui as the initial subscriber, representing 100% of the issued share capital of Visionary Horizons.

(ii) Incorporation of the Company

On 29 April 2025, 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 par value of HK\$0.01 each.

The initial issued share of the Company was held by the initial subscriber on the date of its incorporation, which was later transferred to Mini Universe on 15 May 2025. On 15 May 2025, the Company allotted and issued 85 shares and 14 shares of the Company, at par and credited as fully paid to Mini Universe and Visionary Horizons, respectively. As such, the Company was held as to 86% and 14% by Mini Universe and Visionary Horizons, respectively.

(iii) Incorporation of Infinite Circuit and NovaPrime Engineering

On 23 May 2025, Infinite Circuit was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On the date of its incorporation, one share was initially allotted and issued as fully paid at the subscription price of US\$1 to the Company as the initial subscriber, representing 100% of the issued share capital of Infinite Circuit. As such, Infinite Circuit became wholly owned by the Company.

On 23 May 2025, NovaPrime Engineering was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On the date of its incorporation, one share was initially allotted and issued as fully paid at the subscription price of US\$1 to the Company as the initial subscriber, representing 100% of the issued share capital of NovaPrime Engineering. As such, NovaPrime Engineering became wholly owned by the Company.

(iv) Acquisition of Golden Leaf HK by Infinite Circuit

On 11 June 2025, Infinite Circuit acquired 860,000 shares and 140,000 shares, in Golden Leaf HK, representing 86% and 14% of the issued share capital of Golden Leaf HK, from Mr. KY Ip and Mr. Lui, respectively. In consideration of Mr. KY Ip and Mr. Lui agreeing to sell their respective shares in Golden Leaf HK, the Company allotted and issued 86 shares and 14 shares of the Company, credited as fully paid at par, to Mini Universe and Visionary Horizons, at the direction of Mr. KY Ip and Mr. Lui, respectively.

Pursuant to the Reorganisation described above, the Company has become the holding company of Golden Leaf HK and its subsidiaries on 11 June 2025. Since the Controlling Shareholder controls Golden Leaf HK and its subsidiaries before and after the Reorganisation, the Group comprising the Company and Golden Leaf HK and its subsidiaries is regarded as a continuing entity. The Reorganisation mainly involved inserting some newly formed entities with no substantive business operations as the new holding companies of Golden Leaf HK. There were no changes in the economic substance of the ownership and business of the Group before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Golden Leaf HK and its subsidiaries with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the Group for the Track Record Period as set out in the Historical Financial Information include the

financial performance and cash flows of Golden Leaf HK and its subsidiaries as if the current group structure (except for Xuan Holding acquired after the Reorganisation) had been in existence throughout the Track Record Period, or since their respective dates of establishment, whichever is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2024 and 2025 as set out in the Historical Financial Information have been prepared to present the financial position of Golden Leaf HK and its subsidiaries as at those dates as if the current group structure (except for Xuan Holding acquired after the Reorganisation) had been in existence as at the respective dates, taking into account the respective dates of establishment, where applicable. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the HKFRS Accounting Standards issued by the HKICPA which are effective for the Group's accounting period beginning on 1 April 2024 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRS Accounting Standards that are not yet effective. The Group has not early adopted these standards and amendments.

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature — Dependent Electricity	1 January 2026
Amendments to HKFRS Accounting Standards	Annual improvements to HKFRS Accounting Standards — Volume 11	1 January 2026

		Effective for annual periods beginning on or after
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
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 and amendments to HKFRS Accounting Standards, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, the amendments to HKFRS Accounting Standards are not expected to have a significant impact on the Group's financial performance and position, except HKFRS 18 as follows:–

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and disclosures in the future consolidated financial statements. The Group is still in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

It should be noted that accounting estimates and assumptions have been used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may

ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are set out in Note 5 "Significant accounting judgments and estimates".

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation and subsidiaries

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Track Record Period.

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Business combinations and goodwill

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The

gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

After initial recognition, goodwill is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the cash-generating units (group of cash-generating units) to which the goodwill relates. If the recoverable amount of the cash-generating units (group of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit (group of cash-generating units) and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment

Property, plant and equipment are stated at cost, less provisions for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:—

Leasehold improvements	Over the lease term
Furniture, fixtures and equipment	4 years
Motor vehicles	4 years

Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statements of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:—

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

The Group's intangible assets have finite useful life. Intangible assets are amortised on a straight-line basis over the following period:–

System development costs	5 years
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Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Investment properties are measured initially at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statements of profit or loss and other comprehensive income in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the consolidated statements of profit or loss and other comprehensive income in the period of the derecognition.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises.

Financial assets

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15.

(a) Classification and subsequent measurement

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 (Revised) *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at amortised cost

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

(b) Impairment of financial assets and contract assets

The Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets including trade receivables, other receivables and deposits, amounts due from directors, pledged bank deposits and restricted cash and cash and bank balances and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, and contract assets, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead

recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has applied loss rates which are with reference to the default rates from international credit rating agencies, adjusted for forward-looking factors specific to the debtors and the economic environment.

General approach

For credit exposures of other instruments for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant deterioration in the operating results of the debtor; an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers the pledged bank deposits and restricted cash and cash and bank balances to have a low credit risk because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower; or

- (b) a breach of contract, such as a default or past due event; or
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of loan and interest receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

(c) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statements of financial position) when the rights to receive cash flows from the asset have expired.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected, on initial recognition of the investment to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and accruals, dividend payable and bank borrowings.

(b) Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statements of profit or loss and other comprehensive income.

(c) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leases

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The existing leases of the Group are all classified as operating leases.

Rental income from operating leases is recognised in consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

The Group as lessee

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 the consolidated statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

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

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

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated statements of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statements of profit or loss and other comprehensive income.

Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve. Such exchange differences accumulated in the translation reserve may be reclassified to profit or loss subsequently.

Revenue recognition

Revenue from contracts with customers

Provision of E&M engineering services

Revenue from the provision of E&M engineering services includes the supply and installation of (i) HVAC systems; (ii) electrical systems; and (iii) plumbing and drainage systems which is recognised over time, by reference to the progress towards complete satisfaction of the service, because the Group's performance creates or enhances the assets that the customers control as the assets are created or enhanced at the customers' designated locations.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depicts the Group's performance in transferring control of services.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. The customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Provision of E&M maintenance and inspection services

Revenue from the provision of E&M maintenance and inspection services is recognised over time because the Group's customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group provides bundled maintenance and inspection services to its customers at the designated locations and the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depicts the Group's performance in transferring control of services.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. The customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Borrowing costs

Borrowing costs which are not directly attributable to the expenditure on qualifying assets are charged to the consolidated statements of profit or loss and other comprehensive income in the period in which they are incurred.

Other employee benefits

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees'

basic salaries and are charged to the consolidated statements of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the consolidated statements of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee long service payment

For long service payment ("LSP") obligation for the Group's employees in Hong Kong, the Group accounts for the employer Mandatory Provident Fund ("MPF") contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees and would be used to offset the employee's LSP benefits, which are deemed to be contributions from the relevant employees.

The provision for long service payment is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

Income tax

Income tax expense represents the sum of current tax and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from “profit/(loss) before income tax” because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties are depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and have a short maturity of generally within three months when acquired.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the consolidated statements of profit or loss and other comprehensive income in the period in which they become receivable. Such grants are presented under other income and other gains or losses.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's material accounting policy information, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimates (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

(i) Deferred taxation on investment property

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model in HKAS 40 *Investment Property*, the directors of the Company have reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of economic benefits embodied in the investment property over time. Therefore, in determining the Group's deferred taxation on investment property, the directors of the Company have determined that the presumption contained in HKAS 12 that the carrying amount of the investment property measured using the fair value model is recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment property in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment property located in Hong Kong on disposal.

(ii) Revenue recognition on E&M engineering and maintenance and inspection services

The Group recognises revenue from E&M engineering and maintenance and inspection services over time using the input method, measuring progress toward satisfying performance obligations based on costs incurred to date relative to total estimated budgeted costs. The directors of the Company exercised judgments in selecting input method for measuring progress and considered the input method best reflects the Group's performance in fulfilling contractual obligations as at the end of the reporting period. Significant judgments is also involved in estimating budgeted costs, which directly affects the timing and amount of revenue recognised. While the Group mitigates estimation risks through periodic budget reviews and historical data analysis, material differences between actual and budgeted costs could lead to significant adjustments in reported revenue.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Revenue recognition on E&M engineering and maintenance and inspection services

The Group recognised revenue on service contracts from E&M engineering and maintenance and inspection services by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of costs incurred for work performed to date relative to the total estimated budget costs. The management regularly discusses with the project team in order to review and revise the estimates of the total budget costs based on stage of completion of the work performed to date with reference to the performance and status of corresponding service contract work. Accordingly, revenue recognition on service contracts involves a significant degree of management's estimates and judgments, with estimates being made to assess the total budget costs and costs incurred for work performed to date. The actual outcome may affect the revenue recognised.

During the years ended 31 March 2024 and 2025, revenue amounted to approximately HK\$123,010,000 and HK\$154,534,000, respectively was recognised over time based on the abovementioned input method.

(ii) Fair value of the investment property

At the end of the reporting period, the investment property is stated at fair value based on the valuation performed by a firm of independent qualified professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions which are set out in Note 17. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in change in the fair value of the Group's investment property being recognised in the profit or loss. The carrying amounts of the investment property measured at fair value at 31 March 2024 and 2025 were approximately HK\$4,284,000 and HK\$3,948,000 respectively.

(iii) Provision of ECL for trade receivables, other receivables and deposits, and contract assets

The Group had measured ECLs for trade receivables and contract assets at lifetime ECLs and for other receivables and deposits using credit spread at 12-month ECL, based on the default rates from international credit rating agencies for relevant industries of debtors, debtor's creditworthiness and ageing of receivables, and are adjusted with forward-looking information that is available without undue cost or effort. Details are disclosed in Note 37(b).

(iv) Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives and related depreciation and amortisation expenses for the Group's property, plant and equipment and intangible assets based on the historical experience and the expected usage of the property, plant and equipment and intangible assets with similar nature and functions. The management also takes into account and will revise the depreciation and amortisation expenses where the useful lives changed from those previously estimated, if there is any technological obsolescence, changes in the market demand or service outputs has been reduced significantly. The carrying amounts of property, plant and equipment as at 31 March 2024 and 2025 were approximately HK\$795,000 and HK\$801,000 respectively. The carrying amounts of intangible assets as at 31 March 2024 and 2025 were approximately HK\$660,000 and HK\$764,000 respectively.

(v) Estimate of current tax and deferred tax

Significant judgment and estimates are required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred tax provisions in the periods in which such determination are made.

6. SEGMENT INFORMATION AND REVENUE

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors, being the chief operating decision makers in order to allocate resources and assess performance of the segment. The Group's operation is principally derived from E&M engineering and maintenance and inspection services provided to external customers in Hong Kong. During the Track Record Period, executive directors regularly review revenue and operating results derived from provision of E&M engineering and maintenance and inspection services as a whole. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

The Group's revenue are all derived from Hong Kong based on the location of services delivered. The Group's non-current assets, except for life insurance policy deposits and prepayments, goodwill and prepayments and deposits, were classified in accordance with geographical locations of the assets at the end of each reporting period as detailed below.

	As at 31 March					
	2024			2025		
	Hong Kong	PRC	Total	Hong Kong	PRC	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	748	47	795	754	47	801
Right-of-use assets	1,211	706	1,917	504	436	940
Investment property	4,284	—	4,284	3,948	—	3,948
Intangible assets	660	—	660	764	—	764
	<u>6,903</u>	<u>753</u>	<u>7,656</u>	<u>5,970</u>	<u>483</u>	<u>6,453</u>

Information about major customers

Revenue from customers for the Track Record Period contributing over 10% of the total revenue of the Group are as follows:—

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Sino Group	43,951	59,564
Customer A	<u>N/A*</u>	<u>24,364</u>

* Less than 10% of the Group's total revenue

An analysis of revenue is as follows:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Revenue from contracts with customers recognised over time:		
Provision of E&M engineering services		
— HVAC systems	78,038	102,224
— Electrical systems	3,994	3,890
— Plumbing and drainage systems	2,477	4,524
	<u>84,509</u>	<u>110,638</u>
Provision of E&M maintenance and inspection services		
— HVAC systems	37,129	43,130
— Plumbing and drainage systems	1,372	766
	<u>38,501</u>	<u>43,896</u>
	<u>123,010</u>	<u>154,534</u>

Transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) for long-term E&M engineering and maintenance and inspection services that remained outstanding as at the end of the reporting period and the expected timing of recognising revenue is set out below:

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Provision of E&M engineering services		
— Within one year	53,819	31,589
— More than one year but not more than two years	446	—
	<u>54,265</u>	<u>31,589</u>
Provision of E&M maintenance and inspection services		
— Within one year	36,722	22,891
— More than one year but not more than two years	10,498	5,939
— More than two years	—	712
	<u>47,220</u>	<u>29,542</u>
	<u>101,485</u>	<u>61,131</u>

7. OTHER INCOME AND OTHER GAINS OR LOSSES

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Other income		
Bank interest income	225	73
Imputed interest income from life insurance policy deposits . .	256	270
Sundry income	136	166
Rental income	240	240
Government subsidies (<i>Note</i>)	—	120
	<u>857</u>	<u>869</u>
Other gains or losses		
Exchange loss	(50)	(29)
Fair value loss on investment property (<i>Note 17</i>)	(546)	(336)
Insurance (loss)/gain — change in surrender values	(2)	12
	<u>(598)</u>	<u>(353)</u>
	<u>259</u>	<u>516</u>

Note:

During the year ended 31 March 2025, the government subsidies represent subsidies for staff costs according to the Youth Work Experience and Training Scheme ("YWETS"), which aimed to provide six to twelve months on-the-job training opportunities to young people. There was no YWETS participated by the Company during the year ended 31 March 2024. There are no unfulfilled conditions or contingencies attaching to this subsidy at the end of the reporting period.

8. PROVISION FOR EXPECTED CREDIT LOSSES, NET

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Expected credit losses under ECL model, net		
— Trade receivables	143	360
— Other receivables and deposits	1	3
— Contract assets	140	(98)
	<u>284</u>	<u>265</u>

9. FINANCE COSTS

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Interest on bank borrowings	340	375
Interest on lease liabilities	128	117
	<u>468</u>	<u>492</u>

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:—

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Directors' and chief executive's emoluments (excluding contributions to retirement benefits scheme)	2,503	2,809
Other staff costs	18,869	23,559
Contributions to retirement benefits scheme (<i>Note (i)</i>)	840	1,217
	<u>22,212</u>	<u>27,585</u>
Less: capitalisation to intangible assets	(556)	(306)
Total staff costs (<i>Note (ii)</i>)	<u>21,656</u>	<u>27,279</u>
Auditor's remuneration	147	162
Amortisation of life insurance policy prepayments	41	41
Amortisation of intangible assets	111	202
Cost of materials used for E&M engineering and maintenance and inspection service	18,694	20,558
Depreciation on property, plant and equipment	202	248
Depreciation on right-of-use assets	819	971
Direct operating expenses arising from investment property that generated rental income during the year	42	43
Expenses relating to short-term leases	—	34
Insurance charges on life insurance policies	96	70
Listing expenses	—	1,407
Sub-contracting fees included in costs of services	<u>64,025</u>	<u>80,552</u>

Notes:

- (i) As at 31 March 2024 and 2025, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.
- (ii) Distribution of staff costs among cost of services and administrative expenses is as follows:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Cost of services	14,058	19,167
Administrative expenses	7,598	8,112
	<u>21,656</u>	<u>27,279</u>

11. INCOME TAX EXPENSE

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
— Provision for current year	2,007	3,080
Deferred tax (<i>Note 30</i>)	(45)	(23)
	<u>1,962</u>	<u>3,057</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax under these jurisdictions during the Track Record Period.

Under the two-tiered profits tax rates regime in Hong Kong Profits Tax, the first HK\$2,000,000 of profits of the qualifying entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying entity is calculated at 8.25% of the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000, taking into account the tax concession granted by the Government of Hong Kong Special Administrative Region during the Track Record Period.

The PRC Enterprise Income Tax is charged at the rate of 25% on the taxable profits of the Group's subsidiary in the PRC. During the Track Record Period, no PRC Enterprise Income Tax was provided as there was no taxable profit derived from the Group's subsidiary in the PRC.

A reconciliation of the income tax expenses applicable to profit before income tax is as follows:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Profit before income tax	12,335	17,131
Tax at domestic income tax rate	2,011	2,690
Tax effect of non-taxable income	(80)	(78)
Tax effect of non-deductible expenses	199	372
Tax effect of tax losses not recognised	—	240
Tax concession	(3)	(2)
Tax concession under two-tiered profit tax rates regime	(165)	(165)
Income tax expense	1,962	3,057

12. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employees/directors of the entities comprising the Group prior to becoming the directors of the Company) during the Track Record Period are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2024				
Executive directors				
Mr. KY Ip	—	1,026	18	1,044
Mr. Lui	—	770	18	788
Ms. Ip Tsz Kwan	—	707	18	725
	—	2,503	54	2,557
Year ended 31 March 2025				
Executive directors				
Mr. KY Ip	—	1,167	44	1,211
Mr. Lui	—	900	18	918
Ms. Ip Tsz Kwan	—	742	18	760
	—	2,809	80	2,889

Mr. KY Ip is also the chief executive officer and Ms. Ip Tsz Kwan is also the chief financial officer of the Group.

The emoluments shown above represent emoluments received or receivable from the Group by these directors in their capacity as directors and chief executive and management of affairs of the companies comprising the Group during the Track Record Period.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

Mr. Wong Chun Kat, Mr. Lin Wai Chong and Mr. Cheung Kwong Tat, who were appointed as independent non-executive directors of the Company on 22 September 2025, did not receive any remuneration during the Track Record Period.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, included three and three directors of the Company for each of the years ended 31 March 2024 and 2025 respectively, whose emoluments is disclosed above. The emoluments of the remaining two and two individuals are analysed below:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Salaries, allowances and other benefits	1,760	1,581
Retirement benefit scheme contributions	36	36
	<u>1,796</u>	<u>1,617</u>

(c) During the Track Record Period, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

(d) Emoluments of individuals

The number of individuals (excluding the directors of the Group) whose remuneration fell within the following bands is as follows:

	Year ended 31 March	
	2024	2025
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>

13. DIVIDEND

	Year ended 31 March	
	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>
Golden Leaf HK declared interim dividends to its then shareholders	<u>3,000</u>	<u>5,000</u>

The rate of dividends and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful with regard to the Reorganisation as set out in Note 2.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 April 2023	459	1,453	1,153	3,065
Additions	43	121	—	164
Exchange realignment	—	(1)	—	(1)
At 31 March 2024 and 1 April 2024 ..	502	1,573	1,153	3,228
Additions	—	254	—	254
Exchange realignment	—	(1)	—	(1)
At 31 March 2025	502	1,826	1,153	3,481
Accumulated depreciation				
At 1 April 2023	65	1,254	913	2,232
Charge for the year	50	89	63	202
Exchange realignment	—	(1)	—	(1)
At 31 March 2024 and at 1 April 2024	115	1,342	976	2,433
Charge for the year	50	135	63	248
Exchange realignment	—	(1)	—	(1)
At 31 March 2025	165	1,476	1,039	2,680
Carrying value				
At 31 March 2024	387	231	177	795
At 31 March 2025	337	350	114	801

16. RIGHT-OF-USE ASSETS

	Office premises and storeroom
	<i>HK\$'000</i>
Cost	
At 1 April 2023	2,829
Additions	824
Exchange realignment	(7)
At 31 March 2024 and 1 April 2024	3,646
Exchange realignment	(9)
At 31 March 2025	3,637
Accumulated depreciation	
At 1 April 2023	911
Charge for the year	819
Exchange realignment	(1)
At 31 March 2024 and at 1 April 2024	1,729
Charge for the year	971
Exchange realignment	(3)
At 31 March 2025	2,697
Carrying value	
At 31 March 2024	1,917
At 31 March 2025	940

The Group leased various offices premises and storeroom for its operations. Lease contracts are entered into for fixed terms from three to four years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes. Amount included in the consolidated statements of cash flows comprises the following:

	Year ended 31 March	
	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within financing cash flows — fixed payments	912	1,086
Within operating cash flows — expenses relating to short-term leases	—	34
Total cash outflow of leases	912	1,120

17. INVESTMENT PROPERTY

The Group's property interest held to earn rentals or for capital appreciation purposes is measured using the fair value model and are classified and accounted for as investment property. Movement during the Track Record Period is shown as follow:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Fair value		
At beginning of the year	4,830	4,284
Changes in fair value recognised in profit or loss (<i>Note 7</i>) . . .	(546)	(336)
At end of the year	<u>4,284</u>	<u>3,948</u>

The investment property is situated in Hong Kong.

Fair value measurement of the Group's investment property

The fair values of the Group's investment property at 31 March 2024 and 2025 have been arrived at on the basis of a valuation carried out by Valplus Consulting Limited ("Valplus"), a firm of independent qualified professional valuer, which is not connected to the Group. Valplus has appropriate qualifications and recent experiences in the valuation of similar properties in Hong Kong.

The fair values of investment property is a level 3 fair value measurement. The reconciliation of the opening and closing fair value balances is shown as the above table.

The fair values of investment property were estimated using market comparison approach. Fair values are based on prices for recent market transaction in similar properties with significant adjustments for differences in the location or condition of the Group's investment property. These adjustments are based on unobservable inputs.

Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
(Discount)/premium on quality of properties (e.g. location, size and condition of the property)	2024: (9.1)% to (3.2)% 2025: (10.6)% to (6.9)%	The higher/lower premium or lower/higher discount for the quality of the Group's property, the higher/lower the fair value

Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Selling price per unit of market comparables, taking into account difference such as age and location	2024: HK\$1,750 to HK\$2,466 2025: HK\$1,426 to HK\$2,253	The higher/lower the selling price per unit of market comparables, the higher/lower the fair value

There were no changes to the valuation techniques during the Track Record Period.

The fair value measurement is based on the investment property's highest and best use, which does not differ from their actual use.

During the Track Record Period, there were no transfers into or out of Level 3 or any other level.

18. INTANGIBLE ASSETS

	System development costs HK\$'000
Cost	
At 1 April 2023	226
Additions	556
At 31 March 2024 and at 1 April 2024	782
Additions	306
At 31 March 2025	1,088
Accumulated amortisation	
At 1 April 2023	11
Charge for the year	111
At 31 March 2024 and at 1 April 2024	122
Charge for the year	202
At 31 March 2025	324
Carrying value	
At 31 March 2024	660
At 31 March 2025	764

19. LIFE INSURANCE POLICY DEPOSITS AND PREPAYMENTS

Certain life insurance policies (the “Policies”) were entered into by the Group to insure one of the directors of the Company, Mr. KY Ip. Under the Policies, the beneficiary and policy holder is Golden Leaf HK and the total insured sum was approximately HK\$19,413,000 and HK\$19,413,000 as at 31 March 2024 and 2025 respectively. The Group can terminate the Policies at any time and can receive cash back based on the net nominal account value of the Policies at the date of withdrawal. Interest is earned at interest rates of at least those guaranteed by the insurer and the insurance charge is service fee charged by the insurer.

The upfront payments of approximately HK\$700,000 in aggregate was paid during the year ended 31 March 2024. The Group can terminate the Policies at any time and can receive cash back based on the net nominal account value of the Policies at the date of withdrawal. Interest is earned at interest rates of at least those guaranteed by the insurer.

There will be a specified surrender charge of approximately HK\$624,000 and HK\$612,000 in aggregate of the Policies for the year ended 31 March 2024 and 2025 respectively. The expected life of the Policies remained unchanged from the date of initial recognition and the directors of the Company considered that the financial impact of the option to terminate the Policies was not significant.

At the inception date, the upfront payments of the Policies were separated into deposits placed and prepayments of life insurance premium. The deposits element was measured at costs adjusted for interests and insurance charges recognised for each year and the prepayments of life insurance premium were stated at cost less subsequent accumulated amortisation over the insurance periods.

As at 31 March 2024 and 2025, life insurance policy deposits and prepayments amounts to approximately HK\$6,258,000 and HK\$6,399,000 in aggregate respectively, in which the deposit amounts of approximately HK\$5,751,000 and HK\$5,935,000 respectively and the prepayment amounts of approximately HK\$466,000 and HK\$423,000 respectively are classified as non-current assets. The current portion of prepayment amounts of approximately HK\$41,000 and HK\$41,000 are included in other receivables, prepayments and deposits in the consolidated statements of financial position of the Group as at 31 March 2024 and 2025 respectively.

As at 31 March 2024 and 2025, one of the Policies amounting to approximately HK\$4,253,000 and HK\$4,383,000 respectively were pledged to a bank to secure certain banking facilities granted to the Group (Notes 29 and 40).

20. GOODWILL

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Cost		
At beginning and end of the year	368	368
Impairment		
At beginning and end of the year	(368)	(368)
Carrying Amount		
At beginning and end of the year	—	—

Goodwill was arising from the acquisitions of Golden Leaf International during the year ended 31 March 2019, which were fully impaired as Golden Leaf International was dormant.

21. TRADE RECEIVABLES

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Trade receivables, gross	19,933	30,865
Less: Allowance for credit losses	(241)	(601)
	<u>19,692</u>	<u>30,264</u>

The Group allows a credit period ranging from 0 to 60 days to its customers for trade receivables. The following is an aged analysis of trade receivables, net of provision for credit loss allowances, presented based on the invoice date at the end of each reporting period:

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
1 to 30 days	13,874	19,109
31 to 60 days	2,742	2,976
61 to 90 days	1,693	1,739
91 to 180 days	1,200	4,443
181 to 365 days	168	1,577
Over 1 year	15	420
	<u>19,692</u>	<u>30,264</u>

As at 1 April 2023, trade receivables from contracts with customers amounted to approximately HK\$17,358,000.

The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of trade receivables.

As at 31 March 2024 and 2025, included in the trade receivables balance are debtors with aggregate carrying amount of approximately HK\$4,193,000 and HK\$9,439,000 respectively which are past due at the end of each reporting period. Out of the past due balances as at 31 March 2024 and 2025, approximately HK\$842,000 and HK\$4,760,000, respectively, are past due over 90 days and are not considered as in default based on good repayment records for those customers and long-term/continuous business with the Group. The Group does not hold any collateral over these balances.

The movements in the allowance for credit losses on trade receivables are as follows:

	Lifetime ECL (Not credit-impaired)	Lifetime ECL (Credit-impaired)	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2023	98	—	98
Impairment losses (reversed)/recognised, net	(61)	204	143
At 31 March 2024 and 1 April 2024	37	204	241
Impairment losses recognised, net	65	295	360
Transfer to credit-impaired	(1)	1	—
At 31 March 2025	101	500	601

Details of impairment assessment of trade receivables as at 31 March 2024 and 2025 are set out in Note 37(b).

22. CONTRACT ASSETS

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Unbilled revenue (Note a)	21,847	13,600
Retention receivables (Note b)	2,564	4,370
	24,411	17,970
Less: Allowance for credit losses	(185)	(87)
	24,226	17,883

As at 1 April 2023, contract assets amounted to approximately HK\$11,119,000.

Changes in contract assets during the year ended 31 March 2025 were mainly due to the decrease in the number of contracts in respect of E&M engineering and maintenance and inspection service that the relevant services were provided but not yet billed under the relevant contracts as at 31 March 2025; and netting off the increase in the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period.

The expected timing of recovery or settlement for contract assets as at each of the reporting period is as follows:

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Recovery within one year	24,411	17,252
Recovery after one year	—	718
	<u>24,411</u>	<u>17,970</u>

Notes:

- (a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the contract work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed contract work from the customers.
- (b) Retention receivables included in contract assets represents amounts not yet billed to customers which is conditional until the expiry of defect liability period in respect of services contracts. The retention receivables are transferred to the trade receivables when the rights become unconditional once defect liability period expired.

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 12 months to 24 months from the date of the completion of the respective project. The Group does not hold any collateral over these balances.

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

The movements in the allowance for credit losses on contract assets are as follows:

	Lifetime ECL (Not credit-impaired)	Lifetime ECL (Credit-impaired)	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2023	25	20	45
Impairment losses recognised, net	35	105	140
At 31 March 2024 and 1 April 2024	60	125	185
Impairment losses reversed, net	(4)	(94)	(98)
At 31 March 2025	56	31	87

Details of impairment assessment of contract assets as at 31 March 2024 and 2025 are set out in Note 37(b).

23. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Other receivables, gross (<i>Note a</i>)	65	726
Deposits, gross (<i>Note b</i>)	568	657
Less: Allowance for credit losses	(2)	(5)
Other receivables and deposits, net	631	1,378
Prepayments (<i>Note c</i>)	5,980	6,159
Prepaid listing expenses	—	49
Prepaid issue costs	—	16
Deferred issue costs	—	442
	6,611	8,044
Less: prepayments and deposits as non-current assets	(675)	(353)
	5,936	7,691

Notes:

- (a) At 31 March 2025, included in the balance is an amount of approximately HK\$628,000 paid by the Group to an insurance company (the "Excess") regarding a claim of a customer in relation to an incident occurred at one of the work sites after a subcontractor performed the work. The Group's exposure to the claim is covered by the insurance and the Excess will be indemnified by the subcontractor as agreed. The actual amount of the claim is not yet finalised as it is still negotiating between the insurance company and the customer as at 31 March 2025 and up to the date of this report.

- (b) Deposits were mainly paid for industry-related membership and rental and utilities deposits in respect of the Group's business and operational use.
- (c) Prepayments were mainly represented by project payment in advance to suppliers and sub-contractors and prepaid insurance.

The movements in the allowance for credit losses on other receivables and deposits are as follows:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
At beginning of the year	1	2
Impairment losses recognised	1	3
At end of the year	<u>2</u>	<u>5</u>

Details of impairment assessment of other receivables and deposits as at 31 March 2024 and 2025 are set out in Note 37(b).

24. AMOUNTS DUE FROM DIRECTORS

The amounts due from directors are non-trade in nature, unsecured, interest free and repayable on demand and are settled by the dividends declared by the Company on 26 September 2025 (Note 41(c)). The amounts are denominated in HK\$.

Particulars disclosed pursuant to Section 383(1)(d) to the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Name of directors		
Mr. KY Ip	3,579	4,577
Mr. Lui	2,401	2,106
	<u>5,980</u>	<u>6,683</u>

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Maximum outstanding amount during the year		
Mr. KY Ip	3,636	5,022
Mr. Lui	2,518	2,527

25. PLEDGED BANK DEPOSITS AND RESTRICTED CASH/CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at banks and on hand for the purpose of meeting the Group's short term cash commitments. Bank balances carry interest at floating rates based on daily bank deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 March 2024 and 2025, there was approximately HK\$252,000 and HK\$112,000 respectively denominated in RMB and deposited with banks in the PRC. RMB is not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations in the PRC, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

At 31 March 2024, there was HK\$6,000,000 time deposits with maturity within three months, carrying interest range from 3.43% to 3.80% per annum.

At 31 March 2025, there was HK\$1,000,000 time deposits with maturity within three months, carrying interest at 2.80% per annum was pledged to secure certain banking facilities granted to the Group (Notes 29 and 40).

At 31 March 2025, there was HK\$850,000 cash placed in a bank as collateral for issuance of performance bonds (Note 40).

26. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Trade payables (<i>Note a</i>)	20,211	16,745
Other payables	98	58
Accruals (<i>Note b</i>)	4,540	3,059
Accrued listing expenses	—	379
Accrued issue costs	—	126
Rental deposits received	40	40
	<u>24,889</u>	<u>20,407</u>

Notes:

- (a) The credit period on trade payables is ranging from 0 to 90 days. Included in trade payables are the amounts of approximately HK\$9,154,000 and HK\$6,648,000 as at 31 March 2024 and 2025 respectively, which were unbilled and had been classified under "0-30 days" in the below ageing analysis. The ageing analysis of the trade payables based on invoice date is as follows:—

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
0 to 30 days	19,531	15,767
31 to 90 days	453	501
91 to 180 days	208	112
181 to 365 days	17	365
Over 365 days	2	—
	<u>20,211</u>	<u>16,745</u>

- (b) Accruals were mainly represented by the accrued salaries to the employees of the Group.

27. CONTRACT LIABILITIES

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Advances received from customers	4,553	1,236

Changes in contract liabilities during the year ended 31 March 2025 mainly resulted from less projects which required deposits paid by the customers during the year ended 31 March 2025.

Contract liabilities represents billings in advance of performance in regarding the provision of E&M engineering and maintenance and inspection services. The amount of contract liabilities is negotiated on a case-by-case basis with customers and the movement is set out below:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
At beginning of the year	2,009	4,553
Revenue recognised that was included in the contract liability balance at the beginning of the year	(2,009)	(4,553)
Increase of contract liabilities from customers	8,345	3,353
Decrease in contract liabilities as a result of recognising revenue during the year	(3,792)	(2,117)
At end of the year	4,553	1,236

Contract liabilities which are expected to be settled within the Group's normal operating cycle, are classified as current.

28. LEASE LIABILITIES

The carrying amounts of the Group's lease liabilities are as follows:

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Lease liabilities payable:		
Within 1 year	970	832
After 1 year but within 2 years	836	212
After 2 years but within 5 years	214	—
	<u>2,020</u>	<u>1,044</u>
Analysed into:		
Current portion	970	832
Non-current portion	1,050	212
	<u>2,020</u>	<u>1,044</u>

The incremental borrowing rates applied to the lease liabilities were ranged from 5.66% to 10.04% per annum.

The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Interest on lease liabilities	128	117
Depreciation on right-of-use assets	819	971
Expenses relating to short-term leases	—	34
Total amounts recognised in profit or loss	<u>947</u>	<u>1,122</u>

29. BANK BORROWINGS

The analysis of the carrying amounts of bank borrowings is as follows:–

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Bank borrowing — unsecured and guaranteed (<i>Note a</i>)	6,314	4,541
Bank borrowings under supplier finance arrangements — secured and guaranteed (<i>Note b</i>)	—	1,651
	<u>6,314</u>	<u>6,192</u>

At 31 March 2024 and 2025, bank borrowings due for repayment, based on the scheduled repayment terms set out in the borrowing agreements and without taking into account the effect of any repayment on demand clause are as follows:–

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Within one year	1,773	3,500
After 1 year but within 2 years	1,849	1,909
After 2 years but within 5 years	2,692	783
	<u>6,314</u>	<u>6,192</u>

Notes:

- (a) The Group had a term loan with a principal amount of HK\$9,000,000 that contain a repayment on demand clause under the SME Financing Guarantee Scheme which was guaranteed by The HKMC Insurance Limited, Mr. KY Ip and Mr. Lui with interest charged at 2.5% per annum below the Hong Kong Dollars Prime Rate (“**Prime rate**”) and will be matured on 31 July 2027. As at 31 March 2024 and 2025, the carrying amounts of the loan were approximately HK\$6,314,000 and HK\$4,541,000 respectively with the effective interest rates at 3.55% and 3.42% respectively. This term loan will be repaid by the Group upon Listing and the guarantee provided by Mr. KY Ip and Mr. Lui will also be released upon Listing.
- (b) The Group has entered into certain supplier finance arrangements with certain banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group at the original due dates. The Group’s obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group then settles with the banks between 90–120 days after settlement by the banks to the suppliers with interest rates ranging from 4.25%–6.00% per annum. These arrangements have extended the payment terms, which may be extended beyond the original due dates of respective invoices.

In the consolidated statements of financial position, the Group has presented the payables to the banks under these arrangements as bank borrowings under supplier finance arrangements. At 31 March 2025, bank borrowings of approximately HK\$1,651,000 were secured by those assignments over one of the Policies (Note 19), pledged bank deposits (Note 25) and guaranteed by a director, Mr. KY Ip. The guarantee arrangement by Mr. KY Ip will be released and is to be replaced by corporate guarantee provided by the Company upon Listing.

30. DEFERRED TAX

For the purpose of presentation in the consolidated statements of financial position, deferred tax assets and liabilities have been offset. The movements in deferred tax assets and liabilities during the Track Record Period are as follows:–

	Credit loss allowances	Depreciation allowances in excess of the related depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
Deferred tax (assets)/liabilities			
at 1 April 2023	(24)	286	262
Deferred tax (credited)/charged to the profit or loss during the year (<i>Note 11</i>) ..	(47)	2	(45)
Deferred tax (assets)/liabilities			
at 31 March 2024 and 1 April 2024.	(71)	288	217
Deferred tax (credited)/charged to the profit or loss during the year (<i>Note 11</i>) ..	(43)	20	(23)
Deferred tax (assets)/liabilities at 31 March 2025	(114)	308	194

As at 31 March 2024 and 2025, the Group had unused tax losses of nil and approximately RMB888,000 (equivalent to approximately HK\$959,000) available to offset against future profits sourced in the PRC respectively. Such unused tax losses are subject to the approval of the PRC tax authorities and can be carried forward for five years from the year when the corresponding loss was incurred. No deferred tax asset has been recognised due to unpredictability of future profit streams.

31. SHARE CAPITAL

For the purpose of preparing this Historical Financial Information, share capital represented the issued share capital of Golden Leaf HK, with authorised and issued 1,000,000 shares at total HK\$1,000,000 fully paid as at 31 March 2024 and 2025.

32. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statements of changes in equity.

Translation reserve

Translation reserve is the cumulative gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

33. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases its investment property (Note 17) under operating lease arrangements, with leases negotiated for terms of four years. At the end of each reporting period, the Group had contracted with tenant for the following future minimum undiscounted lease payments:

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Within one year.	240	140
Over one year but within two years	140	—
	<u>380</u>	<u>140</u>

34. RETIREMENT BENEFITS PLANS

Under the Mandatory Provident Fund Schemes Ordinance regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, the Group participates in a MPF Scheme operated by an approved trustee in Hong Kong and makes contributions for its eligible employees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income. The cap of monthly relevant income is HK\$30,000 during the Track Record Period. Contributions to the scheme vest immediately.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiary is required to contribute a specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the years ended 31 March 2024 and 2025, the aggregate amounts of employer's contribution made by the Group were approximately HK\$840,000 and HK\$1,217,000 respectively.

Hong Kong employees that have been employed continuously for at least five years are entitled to LSP in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme, with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which abolishes the Offsetting Arrangement.

The Amendment comes into effect prospectively from 1 May 2025 (the "**Transition Date**"). Under the amended Ordinance, the eligible offset amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

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 is based on the projected unit credit cost method.

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

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Provision for long service payment	129	216

Movements in the provision for long service payment are as follows:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
At beginning of the year	90	129
Current service costs	24	38
Interest expenses	3	5
Remeasurement:		
Loss from changes in financial assumptions	12	44
At the end of the year	129	216

Current service costs and interest expenses are recognised in administrative expenses and remeasurement of provision for long service payment are recognised in other comprehensive income in the consolidated statements of profit or loss and other comprehensive income.

35. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the Historical Financial Information, the Group has the following material related party transactions in the normal course of its business:–

(a) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company disclosed in Note 12 is as follows:

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
Salaries and other benefits	3,173	3,584
Contributions to retirement benefits scheme	73	98
	3,246	3,682

(b) Details of the amounts due from directors are disclosed in Note 24.

(c) Transactions with related parties

Staff costs	Relationship	Year ended 31 March	
		2024	2025
		HK\$'000	HK\$'000
Ms. Cheung Fung Yee	Spouse of Mr. KY Ip	321	246

36. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2024	2025
	HK\$'000	HK\$'000
Financial assets		
At amortised cost:		
Trade receivables	19,692	30,264
Other receivables and refundable deposits	631	1,378
Amounts due from directors	5,980	6,683
Pledged bank deposits and restricted cash	—	1,850
Cash and cash equivalents	19,879	16,072
	<u>46,182</u>	<u>56,247</u>
Financial liabilities		
At amortised cost:		
Trade and other payables and accruals	24,849	20,367
Bank borrowings	6,314	6,192
Dividend payable	3,000	5,000
	<u>34,163</u>	<u>31,559</u>

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise trade receivables, other receivables and refundable deposits, amounts due from directors, pledged bank deposits and restricted cash, cash and cash equivalent, trade and other payables and accruals, dividend payable and bank borrowings. Details of the financial instruments are disclosed in respective notes. The main risk arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group

does not have any written risk management policies and guidelines. The directors of the Company monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimise such financial risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The management will continue to monitor the interest rate exposure.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of each reporting period. The analysis is prepared assuming these borrowings outstanding at the end of each reporting period were outstanding for whole year. A 100 basis points increase or decrease in Prime rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest during the Track Record Period.

	Year ended 31 March	
	2024	2025
	HK\$'000	HK\$'000
	(Decrease)/increase in post-tax profit	(Decrease)/increase in post-tax profit
100 basis point increase	(53)	(38)
100 basis point decrease	53	38

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its operating activities (primarily for trade receivables and contract assets). The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for ECL of trade receivables and contract assets based upon the expected collectability of all trade receivables and contract assets.

At 31 March 2024 and 2025, the Group has a certain level of concentration of credit risk as 33% and 45% of the gross trade receivables were due from the Group's largest customer in each year during the Track Record Period, respectively.

As 31 March 2024 and 2025, the Group has a certain level of concentration of credit risk as 69% and 77% of the gross trade receivables were due from the Group's five largest customers in each year during the Track Record Period, respectively.

The bank balances were deposited with creditworthy banks. Bank balances of the Group are with counter parties with sound credit ratings to minimise credit risk exposures.

Impairment of financial assets

The following types of financial assets are subject to the ECL model:

- trade receivables and contract assets;
- other receivables and refundable deposits; and
- amounts due from directors

While bank balances and cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies HKFRS 9 and measures ECL based on a lifetime expected loss allowance for all trade receivables and contract assets.

The trade receivables and contract assets are assessed for impairment individually. The estimated ECL loss rates are estimated based on the default rates from international credit rating agencies for various industries of debtors, debtor's creditworthiness and ageing of trade receivables and contract assets and are adjusted with forward-looking information that is available without undue cost or effort. These inputs are regularly reviewed by management to ensure relevant information about specific debtors is updated. The Group has identified the gross domestic product in Hong Kong to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The table below details the gross carrying amounts of the Group's trade receivables and contract assets, which are subject to ECL assessment:

		As at 31 March	
		2024	2025
	12-months or lifetime ECL	Gross carrying amount	Gross carrying amount
		HK\$'000	HK\$'000
	Lifetime ECL		
Trade receivables	(not credit-impaired)	19,729	30,365
	Lifetime ECL		
	(credit-impaired)	204	500
	Lifetime ECL		
Contract assets	(not credit-impaired)	24,286	17,939
	Lifetime ECL		
	(credit-impaired)	125	31

Other financial assets at amortised cost

ECL for other financial assets at amortised cost, including amounts due from directors and refundable deposits and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

In order to minimise the credit risk on refundable deposits and other receivables, the management of the Company closely monitors the follow-up action taken to recover any receivable balances outstanding over 180 days. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model in accordance with HKFRS 9 on other balances individually. In this regard, the directors of the Company consider that the Group's credit risk on the refundable deposits and other receivables is immaterial.

The management of the Company performed impairment assessment on amounts due from directors based on the sufficiency of highly accessible liquid assets, or the expected manner of recovery in the next 12 months. In addition, equity interest in the Company held by the directors is also considered. The ECL will be the effect of discounting the expected repayments at the loans effective interest rate over the period until cash is realised. On that basis, as at 31 March 2024 and 2025, the ECL of the amounts due from directors were immaterial.

(c) **Liquidity risk**

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and bank balances. The Group monitored its compliance with covenants and repayment schedules of bank borrowings, and took measures to improve the Group's financial position. The directors of the Company have also reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time based regardless of the probability of the banks choosing to exercise their rights.

The total undiscounted cash flows of each financial liability based on the earliest date on which the Group can be required to pay approximate to their carrying amounts at each of the end of the reporting period as follows:

	Weighted average interest rate per annum (%)	On demand or within 1 year HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 year but within 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2024						
Trade and other payables and accruals	N/A	24,849	—	—	24,849	24,849
Bank borrowing	3.55%	6,314	—	—	6,314	6,314
Dividend payable	N/A	3,000	—	—	3,000	3,000
Lease liabilities	8.41%	1,087	885	223	2,195	2,020
		<u>35,250</u>	<u>885</u>	<u>223</u>	<u>36,358</u>	<u>36,183</u>
At 31 March 2025						
Trade and other payables and accruals	N/A	20,367	—	—	20,367	20,367
Bank borrowing	3.42%	4,541	—	—	4,541	4,541
Bank borrowings under supplier finance arrangements	5.5%	1,651	—	—	1,651	1,651
Dividend payable	N/A	5,000	—	—	5,000	5,000
Lease liabilities	7.73%	882	220	—	1,102	1,044
		<u>32,441</u>	<u>220</u>	<u>—</u>	<u>32,661</u>	<u>32,603</u>

The table below summarises the maturity analysis of bank borrowing with a repayment on demand clause based on the agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using the specified interest rates. As a result, these amounts are greater than the amounts disclosed in the “on demand” time band in the maturity analysis above. The directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	As at 31 March	
	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year,	1,963	1,968
After 1 year but within 2 years	1,968	1,967
After 2 years but within 5 years	2,786	819
	<u>6,717</u>	<u>4,754</u>

Certain portion of the Group’s bank borrowings entered into supplier finance arrangements with a bank and this results in the Group having obligations of settlement concentrated with a bank rather than individual suppliers. The directors of the Company do not consider the supplier finance arrangements result in excessive concentrations of liquidity risk of the Group.

(d) Fair values of financial instruments

At 31 March 2024 and 2025, all financial instruments are carried at amounts approximate to their fair values.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes bank borrowings net of bank balances and equity attributable to owners of the Group, comprising share capital and reserve. The Group is not subject to any externally imposed capital requirement.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through continuity of funding of cash flows from operating activities, the payment of dividends, new share issues, or issues of new debt.

39. CASH FLOWS INFORMATION

(a) Reconciliation of liabilities from financing activities

The table below shows the material changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividend payable	Accrued issue costs	Lease liabilities	Bank borrowings
	HK\$'000	HK\$'000	HK\$'000 (Note 28)	HK\$'000 (Note 29)
At 1 April 2023	—	—	1,987	12,437
Changes from financing cash flows:				
Repayments of bank borrowings	—	—	—	(6,123)
Repayments of interests	—	—	—	(340)
Repayments of lease liabilities — principal	—	—	(784)	—
Repayments of lease liabilities — interests	—	—	(128)	—
Total changes from financing cash flows	—	—	(912)	(6,463)
Other changes:				
Addition of new lease	—	—	824	—
Interest expenses	—	—	128	340
Interim dividend declared	3,000	—	—	—
Exchange realignment	—	—	(7)	—
Total other changes	3,000	—	945	340
At 31 March 2024	<u>3,000</u>	<u>—</u>	<u>2,020</u>	<u>6,314</u>

	Dividend payable	Accrued issue costs	Lease liabilities	Bank borrowings
	HK\$'000	HK\$'000	HK\$'000 (Note 28)	HK\$'000 (Note 29)
At 1 April 2024	3,000	—	2,020	6,314
Changes from financing cash flows:				
Dividend paid	(3,000)	—	—	—
Repayments of bank borrowings	—	—	—	(9,243)
Repayments of interests	—	—	—	(375)
Repayments of lease liabilities — principal	—	—	(969)	—
Repayments of lease liabilities — interests	—	—	(117)	—
Payments of issue costs	—	(332)	—	—
Total changes from financing cash flows	(3,000)	(332)	(1,086)	(9,618)
Other changes:				
Interest expenses	—	—	117	375
Bank borrowings under supplier finance arrangements transfer from trade payables	—	—	—	9,121
Prepaid issue costs	—	16	—	—
Deferred issue costs	—	442	—	—
Interim dividend declared	5,000	—	—	—
Exchange realignment	—	—	(7)	—
Total other changes	5,000	458	110	9,496
At 31 March 2025	<u>5,000</u>	<u>126</u>	<u>1,044</u>	<u>6,192</u>

(b) Information of supplier finance arrangements

In the consolidated statements of cash flows, payments to the banks are included within financing cash flows based on the nature of the arrangements.

	As at 1 April	As at 31 March	
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
Carrying amount of the financial liabilities that are subject to supplier finance arrangement			
Presented as part of "Bank borrowings"			
— of which suppliers have already received payment from the bank. . . .	<u>1,950</u>	<u>—</u>	<u>1,651</u>
	Days	Days	Days
Range of payment due dates			
For liabilities presented as part of "Bank borrowings"			
— liabilities that are part of supplier finance arrangements	<u>90–120</u>	<u>N/A</u>	<u>90–120</u>
— comparable trade payables that are not part of supplier finance arrangements	<u>0–90</u>	<u>0–90</u>	<u>0–90</u>

Changes in liabilities that are subject to supplier finance arrangements are primarily attributable to additions resulting from purchases of goods and services and subsequent cash settlements. During the years ended 31 March 2024 and 2025, borrowings under supplier finance arrangements of nil and approximately HK\$9,121,000 respectively represent the payments to the suppliers by the relevant banks directly.

40. CONTINGENT LIABILITIES

At 31 March 2024 and 2025, the Group had contingent liabilities in respect of performance bonds issued by the banks to the customers to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiary for projects amounting to HK\$2,360,000 and HK\$2,850,000 respectively in its ordinary course of business. The performance bonds are expected to be released in accordance with the terms of the respective E&M engineering services contracts. The issuance of performance bonds were secured by one of the Policies (Note 19), pledged bank deposits and restricted cash (Note 25) and guaranteed by Mr. KY Ip under the banking facility. The guarantee arrangement by Mr. KY Ip will be released and is to be replaced by corporate guarantee provided by the Company upon Listing.

At 31 March 2025, the Group had contingent liabilities in respect of letter of credit issued by the bank to the supplier amounting to approximately HK\$880,000. The issuance of letter of credit was guaranteed by The HKMC Insurance Limited, Mr. KY Ip and Mr. Lui under the SME Financing Guarantee Scheme. Such letter of credit was realised in May 2025 and the corresponding liabilities were settled in August 2025. These guarantee arrangements will be released upon Listing.

41. EVENT AFTER THE REPORTING PERIOD

- (a) On 10 June 2025, NovaPrime Engineering, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Ip Tsz Kwan, one of the directors of the Company, to acquire the entire issued share capital in Xuan Holding and the shareholder's loan due from Xuan Holding at the total cash consideration of HK\$539,900.

Xuan Holding is an investment holding company which solely holds the investment in certain shares of an unlisted entity. The acquisition would be accounted for as acquisition of asset.

The acquisition was completed on 11 June 2025. Upon completion of the share transfer, Xuan Holding became a direct wholly-owned subsidiary of NovaPrime Engineering and the financial results, assets and liabilities of Xuan Holding will be consolidated into the consolidated financial statements of the Group.

- (b) Pursuant to the written resolutions of all shareholders of the Company passed on 22 September 2025, it was resolved that the authorised ordinary share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of the Company to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of the Company by creation of an additional 1,962,000,000 ordinary shares of the Company of HK\$0.01 each; conditional upon the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the share offer, the directors of the Company were authorised to capitalise an amount of HK\$2,999,998 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 299,999,800 ordinary shares of the Company for allotment and issue to the then shareholders of the Company, on a pro rata basis. The ordinary shares of the Company to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued ordinary shares of the Company.
- (c) On 26 September 2025, the Company declared dividends of approximately HK\$6,683,000, which are settled by offsetting against the aggregate amounts due from directors to the Group.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2025.