

SUMMARY

This summary aims to give you an overview of the information contained in this document. As the following is only a summary, it does not contain all the information that may be important to you. You should read the whole document in its entirety before you decide to invest in the [REDACTED].

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

OVERVIEW

We are a well-established construction equipment provider principally offering construction equipment rental services and sale of construction equipment in Hong Kong and the PRC. According to the CHFT Report, we ranked second in the power and energy equipment and high reach equipment rental market in Hong Kong in terms of revenue with a market share of approximately 6.0% in 2021. Our Group’s history can be traced back to 1983 when Mr. Kok, our Controlling Shareholder, formed his sole proprietorship, Chi Shing Electrical Machine Company* (志成電機公司). In 2015, we extended our footprint into the PRC market and established our presence at the Nansha district of the Guangdong Province with an aim to capture the growth of the PRC construction equipment rental and sales market, especially in the Greater Bay Area. We mainly offer a wide range of (i) power and energy equipment; (ii) high reach equipment; and (iii) earthmoving equipment. Please refer to paragraph headed “Business – Our construction equipment” in this document for details of our equipment.

As at 30 September 2022, we had 1,573 units of construction equipment in our rental fleet, comprising (i) 771 units of power and energy equipment; (ii) 771 units of high reach equipment; (iii) 25 units of earthmoving equipment; and (iv) six units of other equipment. For the three years ended 31 March 2022 and six months ended 30 September 2022, our revenue was approximately HK\$93.9 million, HK\$128.8 million, HK\$122.7 million and HK\$51.6 million, respectively. The following table sets forth the breakdown of our revenue by business segment during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2020	2021		2022			2021	2022		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental services	71,423	76.1	95,845	74.4	96,762	78.8	51,677	72.9	45,933	89.1
Sale of construction equipment	22,456	23.9	32,940	25.6	25,965	21.2	19,214	27.1	5,647	10.9
Total	93,879	100.0	128,785	100.0	122,727	100.0	70,891	100.0	51,580	100.0

The following table sets forth our revenue by geographical location during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2020	2021		2022			2021	2022		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	82,360	87.7	118,635	92.1	112,631	91.8	63,528	89.6	49,604	96.2
The PRC	11,519	12.3	10,150	7.9	10,096	8.2	7,363	10.4	1,976	3.8
Total	93,879	100.0	128,785	100.0	122,727	100.0	70,891	100.0	51,580	100.0

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Over the course of our operation, we have developed a large and diversified customer base which includes, among others, construction companies, manufacturing companies, education institutions, government bodies and other construction equipment providers. Notably, we have provided construction equipment for prominent landmark construction projects including but not limited to the Central Government Offices, Cathay Pacific air cargo terminal, Hong Kong International Airport third runway, West Kowloon Station for the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge – Hong Kong Boundary Crossing Facilities, Central-Wanchai Bypass, Kai Tak Sports Park, Kwu Tung North new development area, Shenzhen World Exhibition and Convention Center, Penny’s Bay quarantine centre and Minxin Hong Kong School (Guangzhou Nansha).

Our “Chi Shing” brand is reputable within the Hong Kong construction industry. It was established with the aspiration of providing reliable, high quality, environmentally friendly and innovative construction equipment to customers. By leveraging our technical expertise and accumulated industry experience in construction equipment, we successfully developed our own-branded KCG generator in 2012. We sold our first KCG generator in 2012 and first rented out our KCG generator in 2013. Our KCG generators are designed and built to meet relevant emission standards in Hong Kong, and can be registered as approved NRMMs and are eligible to apply for QPME labels in Hong Kong. Our KCG generators have successfully penetrated into the Hong Kong construction equipment rental and sales market and have gained recognition from our customers.

We place great emphasis on our services and construction equipment’s quality. Our Directors believe that they represent our corporate image and our “Chi Shing” brand. We continue to improve our service quality and competitiveness with our dedication to professional management, accumulation of operational experience and enhancement of construction equipment application knowledge. We endeavour to offer the best quality construction equipment by mainly sourcing construction equipment manufactured by internationally renowned construction equipment manufacturers. During the Track Record Period, we procured construction equipment from various internationally renowned construction equipment manufacturers located in Japan, Germany and the United States, of which we were the authorised dealer or distributor of three of them in Hong Kong as at the Latest Practicable Date. As confirmed by our Directors, we did not sublease any construction equipment from third parties to our customers during the Track Record Period and we do not intend to do so going forward, to ensure absolute control on our rental fleet’s quality and working conditions. We believe such practice differentiates us from our competitors, and have provided us with a competitive advantage to sustainably compete in the market over our long operating history.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths contribute to our success and will enable us to further develop our business in the future: (i) we are one of the main players with proven track record in the construction equipment rental and sales market in Hong Kong; (ii) we offer a large, high quality and well-maintained rental fleet for our rental services customers; (iii) we have an experienced and dedicated management team; (iv) we have built stable relationship with our major customers and suppliers; (v) we act as an authorised dealer or distributor of internationally renowned brands of construction equipment; and (vi) we offer KCG generator under our “Chi Shing” brand.

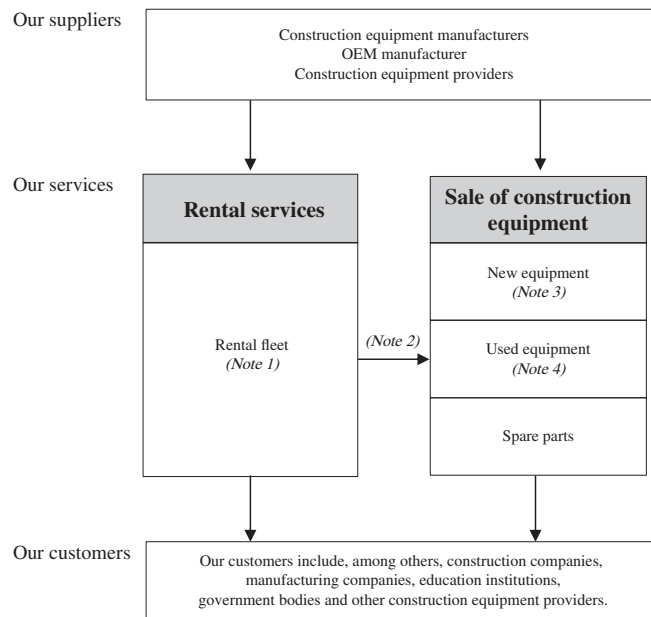
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BUSINESS STRATEGIES

We aim to maintain our position as a key construction equipment provider and further expand our market share in Hong Kong and the PRC. To achieve this, we intend to: (i) expand and optimise our rental fleet in Hong Kong and the PRC; (ii) strengthen the development of our own-branded products and enhance the marketing of our brand; (iii) install app-enabled centralised rental fleet management system; and (iv) hire additional workforce.

OUR BUSINESS MODEL

We are principally engaged in two business segments, namely (i) rental services of construction equipment; and (ii) sale of construction equipment. The diagram below illustrates our typical business model:



Notes:

1. Our Group is responsible for regular on-site repair and maintenance of our rental equipment. Our customers are responsible for damage or loss of equipment caused by themselves, and our Group may charge separately for the repair and maintenance services for such damage.
2. Depending on the circumstances, the construction equipment in our rental fleet may be phased out through sale as used equipment.
3. Our Group is responsible for providing warranty against faulty material and poor workmanship for 12 months or 1,000 hours of operation from the date of delivery of new equipment, whichever occurs earlier. For damage caused by incorrect operation or negligence of our customers, our Group charges separately for repair services if required by our customers.
4. Some used equipment are sourced from third party construction equipment providers.

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We maintained a rental fleet comprising 1,573 units of construction equipment as at 30 September 2022. For details of the construction equipment we offer, please refer to the paragraph headed “Business – Our construction equipment” in this document. As part of our rental services, we provide value-added services to our customers, which include, among others, advising on construction equipment selection, regular inspection and technical support services, transportation and logistics services, and repair and maintenance services. The minimum rental period we offer to our customers is seven days in Hong Kong and one day in the PRC.

Our sale of construction equipment business segment principally involved the sale of new and used equipment during the Track Record Period. Our construction equipment typically available for sale are mainly (i) power and energy equipment; (ii) high reach equipment; and (iii) earthmoving equipment. We source our new construction equipment mainly from internationally renowned construction equipment manufacturers and our OEM construction equipment manufacturer. For used equipment sold by us, some of them are used equipment phased out from our rental fleet while others are sourced from third party construction equipment providers. We sell our construction equipment by way of direct sales.

CUSTOMERS

During the Track Record Period, we provided services to more than 700 customers, among which include construction companies, manufacturing companies, education institutions, government bodies and other construction equipment providers in Hong Kong and the PRC. For the three years ended 31 March 2022 and six months ended 30 September 2022, our revenue from our five largest customers was approximately HK\$32.0 million, HK\$32.1 million, HK\$33.0 million and HK\$19.9 million, respectively, accounting for approximately 34.1%, 25.0%, 26.9% and 38.5% of our total revenue, respectively. During the same periods, our revenue from our largest customer was approximately HK\$10.4 million, HK\$10.1 million, HK\$11.4 million and HK\$10.4 million, accounting for approximately 11.1%, 7.9%, 9.2% and 20.2% of our total revenue, respectively. For further information on our customers, please refer to the paragraph headed “Business – Customers” in this document.

PRICING POLICIES

For the construction equipment rental services business segment, we set our price rental fee according to various factors which include, among others, (i) purchase and maintenance costs of the construction equipment; (ii) capacity and model of the construction equipment; (iii) market demand and market price; (iv) length of the rental period; (v) extent of foreseeable wear and tear on the construction equipment based on working condition of the site; (vi) condition of the construction equipment; (vii) price of our competitors in the market; and (viii) credibility of the customer.

For the sale of construction equipment business segment, the price of new construction equipment sold is determined on a cost-plus basis taking into account various factors which include, among others, (i) cost of purchase; (ii) prices offered by competitors in the market; (iii) supply and demand of similar construction equipment in the market; (iv) lead time of delivery of the construction equipment; and (v) specifications and production location of the construction equipment. In respect of used equipment, in addition to the cost of procurement, we consider factors such as rental and operation history of the construction equipment, prices quoted to its equivalent in the market and the cost of refurbishment before sale.

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SUPPLIERS

We believe that our sourcing and selection of suppliers of construction equipment play a crucial part in enhancing our reputation and product mix and ensuring our construction equipment quality. Apart from the OEM construction equipment manufacturer in the PRC that we cooperate with to produce our own-branded KCG generator, we source construction equipment mainly from internationally renowned construction equipment manufacturers located in Japan, Germany and the United States which our Directors consider are reputable for their construction equipment reliability. We select our major suppliers based on their construction equipment quality, credit quality and transaction history with our Group. We had entered into dealership and distributorship arrangements with three of our suppliers which are internationally renowned construction equipment manufacturers as at the Latest Practicable Date. For the three years ended 31 March 2022 and six months ended 30 September 2022, our transactions with our five largest suppliers amounted to approximately HK\$33.0 million, HK\$65.9 million, HK\$61.0 million and HK\$19.9 million, accounting for approximately 89.4%, 88.3%, 89.1% and 82.0% of our Total Purchases, respectively. For the same periods, our transactions with our largest supplier amounted to approximately HK\$14.4 million, HK\$40.5 million, HK\$28.5 million and HK\$8.9 million, accounting for approximately 39.1%, 54.4%, 41.6% and 36.4% of our Total Purchases, respectively. For further information of our suppliers, please refer to the paragraph headed “Business – Suppliers” in this document.

Overlapping of our customers and suppliers

During the Track Record Period, to the best knowledge and belief of our Directors, (i) one of our five largest suppliers, Supplier A, for the three years ended 31 March 2022 and the six months ended 30 September 2022 was also our customer for the year ended 31 March 2020; and (ii) one of our five largest customers, Customer D, for the years ended 31 March 2020 and 2021 was also our supplier for the year ended 31 March 2020. To the best knowledge and belief of our Directors, the overlapping customers and suppliers and their ultimate beneficial owners are Independent Third Parties. Please refer to the paragraph headed “Business – Overlapping of our customers and suppliers” in this document for more information.

KEY FINANCIAL INFORMATION

Selected items of consolidated statements of profit or loss and other comprehensive income

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	93,879	128,785	122,727	70,891	51,580
Gross profit	48,417	75,830	66,830	38,152	27,823
Other net (losses)/gains	(811)	1,121	1,142	769	(417)
Selling and distribution expenses	(1,872)	(2,669)	(2,016)	(1,125)	(1,327)
Administrative expenses	(7,065)	(8,446)	(9,034)	(5,297)	(4,671)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit before taxation	36,740	61,187	46,889	24,688	18,561
Profit for the year/period	30,533	50,573	38,164	19,456	15,006

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During the Track Record Period, our Group’s revenue increased from approximately HK\$93.9 million for the year ended 31 March 2020, to approximately HK\$128.8 million for the year ended 31 March 2021, and slightly decreased to HK\$122.7 million for the year ended 31 March 2022. The increase in revenue for the year ended 31 March 2021 was mainly attributable to the increase in utilisation rates of our power and energy equipment, high reach equipment and earthmoving equipment. The decrease in revenue for the year ended 31 March 2022 was mainly attributable to the decrease in the sale of power and energy equipment and high reach equipment. Our Group’s revenue decreased from HK\$70.9 million for the six months ended 30 September 2021 to approximately HK\$51.6 million for the six months ended 30 September 2022. Such decreased in revenue for the six months ended 30 September 2022 was mainly attributable to the decrease in our rental services and the sale of power and energy equipment and earthmoving equipment.

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During the Track Record Period, our Group’s gross profit increased from approximately HK\$48.4 million for the year ended 31 March 2020, to approximately HK\$75.8 million for the year ended 31 March 2021, and decreased to approximately HK\$66.8 million for the year ended 31 March 2022. The increase in gross profit for the year ended 31 March 2021 was mainly attributable to the increase in revenue as described above. The decrease in gross profit for the year ended 31 March 2022 was mainly due to the decrease in the gross profit of sale of used power and energy equipment. For the three years ended 31 March 2022, our gross profit margin was approximately 51.6%, 58.9% and 54.5%, respectively. The decrease in our gross profit margin for the year ended 31 March 2022 was mainly attributable to the decrease in our gross profit margin of rental services and sale of construction equipment from approximately 66.2% and 37.6% for the year ended 31 March 2021 respectively to approximately 61.6% and 27.9% for the year ended 31 March 2022 respectively.

Our overall gross profit decreased from approximately HK\$38.2 million for the six months ended 30 September 2021 to approximately HK\$27.8 million for the six months ended 30 September 2022. Such decreased was mainly attributable to the decrease in revenue as described above. Our gross profit margin remain relatively stable for approximately 53.8% and 53.9% for the six month ended 30 September 2021 and 2022 respectively.

During the Track Record Period, our Group’s other net (losses)/gains increased from other net loss of approximately HK\$0.8 million for the year ended 31 March 2020 to other net gains of approximately HK\$1.1 million for the year ended 31 March 2021, and remain relatively the same for the year ended 31 March 2022. The increase for the year ended 31 March 2021 was mainly attributable to the change on fair value of financial assets at fair value through profit or loss (“FVTPL”) from a loss of approximately HK\$0.8 million to a gain of approximately HK\$1.1 million.

During the six months ended 30 September 2022, our Group’s other net losses changed from approximately a net gain of approximately HK\$0.8 million for the six months ended 30 September 2021 to net loss of approximately HK\$0.4 million for the six months ended 30 September 2022. The change was mainly attributable to the increase in exchange losses of approximately HK\$0.8 million and no disposal of plant and equipment had occurred during the six months ended 30 September 2022. For details, please refer to the paragraph headed “Financial Information – Other net (losses)/gains” in this document.

During the Track Record Period, our Group’s profit for the year increased from approximately HK\$30.5 million for the year ended 31 March 2020 to approximately HK\$50.6 million for the year ended 31 March 2021 and decreased to approximately HK\$38.2 million for the year ended 31 March 2022. Such increase for the year ended 31 March 2021 and decrease for the year ended 31 March 2022 were mainly attributable to the increase and the decrease in revenue as described above. Our Group’s profit for the period decreased from approximately HK\$19.5 million for the six months ended 30 September 2021 to approximately HK\$15.0 million for the six months ended 30 September 2022 was mainly due to decrease in revenue as described above.

For further details of our Group’s financial information, please refer to the section headed “Financial Information” in this document.

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

	2020		Year ended 31 March				Six months ended 30 September	
	HK\$'000	%	2021	%	2022	%	2022	%
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Rental services								
Power and energy equipment	33,200	35.3	52,829	41.0	51,072	41.6	27,013	52.4
Generator	16,651	17.7	28,971	22.4	32,538	26.5	19,541	37.9
Air compressor	15,742	16.8	22,524	17.5	16,638	13.6	6,627	12.9
Light tower	231	0.2	490	0.4	615	0.5	253	0.5
Diesel welder	576	0.6	844	0.7	1,281	1.0	592	1.1
High reach equipment	34,331	36.6	35,234	27.4	39,594	32.3	15,607	30.3
Earthmoving equipment	553	0.6	2,212	1.7	1,630	1.3	480	0.9
Other equipment ^(Note 1)	70	0.1	127	0.1	439	0.3	1	0.0
Rental related services ^(Note 2)	3,269	3.5	5,443	4.2	4,027	3.3	2,832	5.5
	71,423	76.1	95,845	74.4	96,762	78.8	45,933	89.1
Sale of construction equipment								
New equipment	1,236	1.3	15,750	12.2	19,010	15.5	3,746	7.3
Used equipment ^(Note 3)	20,740	22.1	16,133	12.5	6,731	5.5	1,858	3.6
Spare parts	480	0.5	1,057	0.9	224	0.2	43	0.0
	22,456	23.9	32,940	25.6	25,965	21.2	5,647	10.9
Total	93,879	100.0	128,785	100.0	122,727	100.0	51,580	100.0

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Notes:

1. Other equipment mainly consisted of forklifts, drainage pumps and electric hammers.
2. Rental related services included transportation services, repair and maintenance services and other labour services.
3. Used equipment includes second-hand equipment which were sourced externally from third party construction equipment providers and internally from our rental fleet.

The following table sets forth our gross profit and gross profit margin by business segments during the Track Record Period:

	Year ended 31 March						Six months ended 30 September 2022					
	2020	% of	Gross	Gross	% of	Gross	2022	% of	Gross	Gross	% of	Gross
	Gross profit (Note 1)	our gross profit	profit margin	Gross profit (Note 1)	our gross profit	profit margin	Gross profit (Note 1)	our gross profit	profit margin	Gross profit (Note 1)	our gross profit	profit margin
	HK\$'000			HK\$'000			HK\$'000			HK\$'000		
Rental services												
Power and energy equipment	19,824	40.9%	59.7%	37,957	50.1%	71.9%	33,662	50.4%	65.9%	16,576	59.6%	61.4%
Generator	8,907	18.4%	53.5%	20,160	26.6%	69.6%	21,394	32.0%	65.8%	12,644	45.4%	64.7%
Air compressor	10,388	21.5%	66.0%	16,800	22.2%	74.6%	10,858	16.3%	65.3%	3,361	12.1%	50.7%
Light tower	166	0.3%	71.6%	391	0.5%	79.8%	492	0.7%	80.0%	194	0.7%	76.7%
Diesel welder	363	0.7%	62.9%	606	0.8%	71.7%	918	1.4%	71.7%	377	1.4%	63.7%
High reach equipment	15,738	32.5%	45.8%	18,881	24.9%	53.6%	20,979	31.4%	53.0%	6,816	24.5%	43.7%
Earthmoving equipment	290	0.6%	52.4%	1,679	2.2%	75.9%	1,110	1.7%	68.1%	204	0.7%	42.5%
Other equipment (Note 2)	58	0.2%	84.1%	114	0.2%	89.3%	384	0.6%	87.5%	1	0.0%	100.0%
Rental related services (Note 3)	2,710	5.6%	82.9%	4,808	6.3%	88.3%	3,439	5.1%	85.4%	2,325	8.4%	82.1%
	38,620	79.8%	54.1%	63,439	83.7%	66.2%	59,574	89.2%	61.6%	25,922	93.2%	56.4%
Sale of construction equipment												
New equipment	212	0.4%	17.2%	2,897	3.8%	18.4%	3,625	5.4%	19.1%	1,028	3.7%	27.4%
Used equipment (Note 4)	9,289	19.2%	44.8%	8,824	11.6%	54.7%	3,475	5.2%	51.6%	843	3.0%	45.4%
Spare parts	296	0.6%	61.7%	670	0.9%	63.4%	156	0.2%	69.6%	30	0.1%	69.8%
	9,797	20.2%	43.6%	12,391	16.3%	37.6%	7,256	10.8%	27.9%	1,901	6.8%	33.7%
Total	48,417	100.0%	51.6%	75,830	100.0%	58.9%	66,830	100.0%	54.5%	27,823	100.0%	53.9%

Notes:

1. Gross profit for rental services of construction equipment was calculated by the revenue generated from rental services minus the rental related costs which included but not limited to (i) depreciation expense of the specific equipment during the rental period; (ii) other costs (i.e. other depreciation expenses, staff cost, rental cost, transportation and handling cost and cost of consumables and spare parts) in relation to rental services on a pro-rata basis according to the rental revenue contribution percentage of the particular construction equipment respectively.
2. Other equipment mainly consisted of forklifts, drainage pumps and electric hammers.
3. Rental related services included transportation services, repair and maintenance services and other labour services.
4. Used equipment includes second-hand equipment which were sourced externally from third party construction equipment providers and internally from our rental fleet.

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Selected items of the consolidated statements of financial position

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	116,575	151,781	171,073	165,374
Current assets	60,275	81,705	75,325	74,976
Current liabilities	46,914	76,157	70,582	58,958
Non-current liabilities	15,019	31,562	25,789	22,240
Net current assets	13,361	5,548	4,743	16,018
Net assets	114,917	125,767	150,027	159,152

For an analysis of our selected items of consolidated statements of financial position, please refer to the paragraphs headed “Financial Information – Net current assets” and “Financial Information – Description of selected items of consolidated statements of financial position” in this document.

Selected items of the consolidated statements of cash flows

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Operating cash flows before movements in working capital	61,337	83,251	80,471	40,725	36,579
Movements in working capital	(1,834)	6,859	(28,495)	(6,735)	(580)
Purchase of rental construction equipment	(23,651)	(31,815)	(25,498)	(19,777)	(4,891)
Deposit paid for acquisition of rental equipment	(928)	(3,319)	(17,497)	(1,830)	(5,745)
Income tax paid	(2,123)	(9,947)	(7,829)	(986)	(1,940)
Net cash generated from operating activities	32,801	45,029	1,152	11,397	23,423
Net cash (used in)/generated from investing activities	(29,260)	(47,787)	(2,653)	1,599	(4,121)
Net cash (used in)/generated from financing activities	(7,278)	5,805	(930)	(14,839)	(16,214)
Net (decrease)/increase in cash and cash equivalents	(3,737)	3,047	(2,431)	(1,843)	3,088
Effect of foreign exchange rate changes	(197)	330	93	55	(46)
Cash and cash equivalents at beginning of the year/period	19,222	15,288	18,665	18,665	16,327
Cash and cash equivalents at end of the year/period	15,288	18,665	16,327	16,877	19,369

For an analysis of our cash flows during the Track Record Period, please refer to the paragraph headed “Financial Information – Liquidity and capital resources” in this document.

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Key financial ratios

	For the year ended/ as at 31 March			For the six months ended/as at 30 September
	2020	2021	2022	2022
Gross profit margin	51.6%	58.9%	54.5%	53.9%
Net profit margin	32.5%	39.3%	31.1%	29.1%
Current ratio	1.3	1.1	1.1	1.3
Gearing ratio	18.8%	45.6%	46.1%	34.1%
Interest coverage ratio	30.7	50.7	18.7	13.9
Return on assets	17.3%	21.7%	15.5%	6.2%
Return on equity	26.6%	40.2%	25.4%	9.4%

Current ratio

Our current ratio remained relatively stable at approximately 1.3 times, 1.1 times, 1.1 times and 1.3 times as at 31 March 2020, 2021, 2022 and 30 September 2022 respectively.

Gearing ratio

Our gearing ratio increased from approximately 18.8% as at 31 March 2020 to approximately 45.6% as at 31 March 2021. The increase was mainly attributable to approximately 167.0% increase in the sum of bank borrowings and lease liabilities from approximately HK\$21.5 million as at 31 March 2020 to approximately HK\$57.4 million as at 31 March 2021 due to new bank borrowings raised and recognition of lease liabilities in relation to our leased properties between the respective years.

Our gearing ratio remained stable at approximately 45.6% for the year ended 31 March 2021 and 46.1% for the year ended 31 March 2022.

Our gearing ratio decreased from approximately 46.1% as at 31 March 2022 to approximately 34.1% as at 30 September 2022. The decrease was mainly attributable to approximately 21.4% decrease in the sum of bank borrowings and lease liabilities from approximately HK\$69.1 million as at 31 March 2022 to approximately HK\$54.3 million as at 30 September 2022 due to repayment of new bank borrowings raised and lease liabilities in relation to our leased properties between the respective years.

Interest coverage ratio

Our interest coverage ratio increased from approximately 30.7 times for the year ended 31 March 2020 to approximately 50.7 times for the year ended 31 March 2021. The increase was mainly attributable to approximately 64.2% increase in profit before interest and tax from approximately HK\$38.0 million for the year ended 31 March 2020 to approximately HK\$62.4 million for the year ended 31 March 2021 which was mainly due to the increase in revenue.

Our interest coverage ratio decreased from approximately 50.7 times for the year ended 31 March 2021 to approximately 18.7 times for the year ended 31 March 2022. The decrease was mainly attributable to increase in our interest expenses for the year ended 31 March 2022 which is mainly due to the increase in our interest on lease liabilities and interest on bank borrowings and lease liabilities.

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Our interest coverage ratio decreased from approximately 18.7 times for the year ended 31 March 2022 to approximately 13.9 times for the six months period ended 30 September 2022. The decrease was mainly attributable to decrease in profit before interest and tax which was mainly due to the decrease in gross profit from rental services and sales of construction equipment resulted from decrease in gross profit margin.

Return on assets

Our return on assets increased from approximately 17.3% for the year ended 31 March 2020 to approximately 21.7% for the year ended 31 March 2021. The increase was mainly attributable to approximately 65.9% increase in net profit from approximately HK\$30.5 million for the year ended 31 March 2020 to approximately HK\$50.6 million for the year ended 31 March 2021 which was mainly due to the increase in revenue.

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Our return on assets decreased from approximately 21.7% for the year ended 31 March 2021 to approximately 15.5% for the year ended 31 March 2022. The decrease was mainly attributable to approximately 24.5% decrease in net profit from approximately HK\$50.6 million for the year ended 31 March 2021 to approximately HK\$38.2 million for the year ended 31 March 2022 which was mainly due to the decrease in revenue and gross profit.

Our return on assets decreased from approximately 15.5% for the year ended 31 March 2022 to approximately 6.2% for the six months period 30 September 2022. The decrease was mainly attributable to decrease in net profit which was mainly due to the increase in revenue.

Return on equity

Our return on equity increased from approximately 26.6% for the year ended 31 March 2020 to approximately 40.2% for the year ended 31 March 2021. The increase was mainly attributable to the increase in net profit.

Our return on equity decreased from approximately 40.2% for the year ended 31 March 2021 to approximately 25.4% for the year ended 31 March 2022. The decrease was mainly attributable to the decrease in net profit.

Our return on equity decreased from approximately 25.4% for the year ended 31 March 2022 to approximately 9.4% for the six months period 30 September 2022. The decrease was mainly attributable to the decrease in net profit.

For further details, please refer to the paragraph headed “Financial Information – Key financial ratios” in this document.

SUMMARY

Key Operating Metrics

Equipment utilisation

The following table sets forth information on the number, utilisation rate, average rental period and average rental price per day of our rental fleet by type of construction equipment as at the dates indicated.

	2020					Year ended 31 March 2021					2022					Six ended 30 September 2022				
	Number in fleet	Utilisation rate % (Note 1)	Range of rental period (days)	Average rental period (days)	Average rental price per day (HK\$)	Number in fleet	Utilisation rate % (Note 1)	Range of rental period (days)	Average rental period (days)	Average rental price per day (HK\$)	Number in fleet	Utilisation rate % (Note 1)	Range of rental period (days)	Average rental period (days)	Average rental price per day (HK\$)	Number in fleet	Utilisation rate % (Note 1)	Range of rental period (days) (Note 3)	Average rental period (days) (Note 3)	Average rental price per day (HK\$)
Hong Kong																				
Power and energy equipment	420	60.4	7-366	202.8	387.5	481	89.4	3-365	299.4	393.1	653	92.2	2-365	308.8	304.2	742	81.1	0-183	136.3	280.2
Generator	288	52.1	7-366	174.9	338.5	340	89.5	3-365	299.9	312.4	496	93.3	2-365	312.4	266.6	542	88.9	0-183	149.3	251.8
Air compressor	104	85.5	29-366	287.2	512.2	103	90.5	25-365	303.3	699.9	119	89.2	2-365	298.8	504.9	153	55.7	0-183	93.5	500.0
Light tower	13	39.8	61-194	133.7	180.8	13	74.8	182-282	250.5	150.4	13	83.5	175-365	279.6	169.3	13	69.2	17-183	116.3	167.4
Diesel welder	15	68.5	81-362	230.1	167.0	25	90.7	31-365	303.8	161.2	25	92.0	88-365	308.1	166.1	34	67.6	0-183	113.5	164.5
High reach equipment	516	47.7	3-366	160.2	298.5	516	53.3	4-365	178.4	308.0	569	68.4	2-365	229.0	249.8	575	78.5	0-183	132.0	187.6
Earthmoving equipment	22	31.4	5-366	105.7	428.7	19	58.5	29-365	196.1	530.8	25	57.8	55-365	193.6	418.7	25	33.9	0-181	56.9	331.7
Other equipment (Note 2)	6	17.3	12-165	58.3	139.6	6	16.3	3-151	54.5	392.1	6	64.2	117-294	215.2	340.5	6	0.3	0-3	0.5	300.0
	964	52.5	3-366	176.4	341.8	1,022	69.6	3-365	233.0	361.9	1,253	79.6	2-365	266.7	282.8	1,348	78.7	0-183	132.2	240.2
The PRC																				
Power and energy equipment	32	16.2	1-194	54.5	951.3	29	9.0	2-209	30.2	908.1	29	14.7	1-302	49.2	847.8	29	6.4	0-141	10.7	845.3
Generator	3	6.7	1-67	22.7	269.2	3	-	-	-	-	3	6.3	1-61	21.0	293.1	3	-	-	0.0	-
Air compressor	29	17.2	2-194	57.8	979.0	26	9.9	2-209	33.3	908.1	26	15.7	1-302	52.5	873.5	26	7.1	0-141	11.9	845.3
High reach equipment	186	20.2	1-294	67.8	684.2	189	19.4	1-360	65.0	628.2	196	34.4	1-333	115.2	376.0	196	21.8	0-183	36.7	209.0
	218	19.6	1-294	65.9	716.7	218	17.9	1-360	60.0	648.7	225	31.8	1-333	106.7	404.1	225	19.8	0.183	33.3	235.3

Notes:

- Utilisation rate is calculated based on the number of days the construction equipment were rented out during the respective year/period divided by the estimated number of days the construction equipment was available for rental service in the year/period (excluding a total of 30 days on an annual basis and 15 days on a half year basis regarding the estimated time mainly for repair, maintenance and transportation).
- Other equipment included forklifts, drainage pumps and electric hammers.
- The maximum number of rent out days is 183 days for the six months ended 30 September 2022.

SUMMARY

Utilisation of our rental fleet in Hong Kong

The utilisation rate of our rental fleet in Hong Kong was approximately 52.5%, 69.6%, 79.6% and 78.7% for the three years ended 31 March 2022 and six months ended 30 September 2022, respectively.

During the Track Record Period, the utilisation rate of our power and energy equipment in Hong Kong was approximately 60.4%, 89.4%, 92.2% and 81.1%, respectively. The increase in utilisation rate between the year ended 31 March 2020 and year ended 31 March 2021 was mainly due to the increase in demand from customers in Hong Kong for the rental of power and energy equipment with an increase in average rental period of generators, air compressors, light towers and diesel welders for the year ended 31 March 2021. The utilisation rate of our power and energy equipment remained relatively high at approximately 89.4%, 92.2% and 81.1% for the years ended 31 March 2021 and 2022 and six months ended 30 September 2022 respectively.

During the Track Record Period, the utilisation rate of our high reach equipment in Hong Kong was approximately 47.7%, 53.3%, 68.4% and 78.5%, respectively. The utilisation rate of our high reach equipment increased between the periods which was mainly due to the increase in average rental period of high reach equipment between the periods.

During the Track Record Period, the utilisation rate of our earthmoving equipment in Hong Kong was approximately 31.4%, 58.5%, 57.8% and 33.9%, respectively. The utilisation rate of our earthmoving equipment in Hong Kong increased to 58.5% for the year ended 31 March 2021 which was mainly due to the increase in demand from customers in Hong Kong for the rental of earthmoving equipment. The utilisation rate of our earthmoving equipment remained stable for the year ended 31 March 2022. The utilisation rate of earthmoving equipment decreased to 33.9% for the six months ended 30 September 2022 mainly due to the decrease in average rental period of earthmoving equipment.

During the Track Record Period, the utilisation rate of our other equipment in Hong Kong was approximately 17.3%, 16.3%, 64.2% and 0.3%, respectively. The utilisation rate remained relatively stable at approximately 17.3% and 16.3% for the years ended 31 March 2020 and 2021. The increase in the utilisation rate of our other equipment in Hong Kong for the year ended 31 March 2022 was mainly due to the increase in average rental period of other equipment. The utilisation rate of our other equipment decreased to 0.3% for the six months ended 30 September 2022 mainly due to the decrease in average rental period of other equipment.

Utilisation rate of our rental fleet in the PRC

During the Track Record Period, the utilisation rate of our rental fleet in the PRC was approximately 19.6%, 17.9%, 31.8% and 19.8%, respectively.

For further details, please refer to the paragraph headed “Business – Our fleet management – Equipment utilisation” in this document.

SUMMARY

Average age and remaining useful life of our rental fleet

The following table sets forth the average age and remaining useful life of our rental fleet by type of construction equipment as at the dates indicated:

	2020		As at 31 March 2021		2022		As at 30 September 2022	
	Average age	Average remaining useful life	Average age	Average remaining useful life	Average age	Average remaining useful life	Average age	Average remaining useful life
	(years)	(years)	(years)	(years)	(years)	(years)	(years)	(years)
	(Note 1)	(Note 2)	(Note 1)	(Note 2)	(Note 1)	(Note 2)	(Note 1)	(Note 2)
Hong Kong								
Power and energy equipment	5.3	5.0	4.0	6.0	3.3	6.8	3.3	6.8
Generator	5.5	4.7	4.0	6.0	3.1	6.9	3.1	6.9
Air compressor	4.2	6.0	3.5	6.5	3.0	7.0	2.8	7.2
Light tower	6.3	5.5	7.3	4.8	8.3	4.2	8.8	3.9
Diesel welder	7.0	3.0	5.2	4.8	6.2	3.8	5.1	4.9
High reach equipment	4.2	6.2	4.9	5.6	5.4	5.2	5.8	4.8
Earthmoving equipment	3.3	6.7	4.4	5.6	4.1	5.9	4.6	5.4
Other equipment	18.8	–	19.8	–	20.8	–	21.3	–
	4.7	5.7	4.6	5.8	4.3	6.0	4.5	5.9
The PRC								
Power and energy equipment	9.1	1.3	10.1	0.9	11.1	0.6	11.6	0.4
Generator	6.0	4.0	7.0	3.0	8.0	2.0	8.5	1.5
Air compressor	9.4	1.1	10.5	0.7	11.5	0.4	12.0	0.3
High reach equipment	8.8	2.9	9.7	2.3	10.4	1.9	10.9	1.5
	8.8	2.7	9.7	2.1	10.5	1.7	11.0	1.4

Notes:

1. Average age is calculated based on the average of the number of years between the date of manufacturing of each construction equipment and year end date of each accounting year.
2. We adopt a straight-line depreciation method on our rental fleet and we allocate the construction equipment's costs over its estimated useful life after taking into account its estimated residual value. The remaining useful life of individual construction equipment is calculated by deducting the age of such construction equipment from its useful life (i.e. 10 years). For this purpose, construction equipment with age (i.e. the time from the date of manufacturing to the year end date of each accounting year) exceeding its useful life shall have zero year of remaining useful life. Therefore, the total of average age and average remaining useful life could be over 10 years for construction equipment aged over 10 years. Please refer to note 4 to the Accountant's Report in Appendix I to this document for details of the depreciation method adopted.

For further details, please refer to the paragraph headed “Business – Our fleet management – Average age and remaining useful life of our rental fleet” in this document.

SUMMARY

IMPACT OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share, the total estimated [REDACTED] in connection with the [REDACTED] is approximately HK\$[REDACTED], including [REDACTED] expenses of approximately HK\$[REDACTED] and [REDACTED] expenses of approximately HK\$[REDACTED] (which consists of fees and expenses of legal advisers and accountants of approximately HK\$[REDACTED] and other fees and expenses of approximately HK\$[REDACTED]). The aforesaid HK\$[REDACTED] will account for approximately [REDACTED] of our [REDACTED] from the [REDACTED], calculated based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised.

Of the [REDACTED] of approximately HK\$[REDACTED], approximately HK\$[REDACTED] will be accounted for as a deduction from our equity upon the [REDACTED] and the remaining amount of approximately HK\$[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income (of which approximately HK\$[REDACTED], HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] was charged for the three years ended 31 March 2022 and six months ended 30 September 2022, respectively, and the remaining approximately HK\$[REDACTED] is expected to be charged for the year ending 31 March 2023).

FUTURE PLANS AND [REDACTED]

Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), the [REDACTED] from the issue of Shares under the [REDACTED] are expected to be approximately HK\$[REDACTED] (after deducting estimated expenses payable by our Group in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised). Our Directors currently intend to apply such [REDACTED] in the following manner:

- approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], for the expansion of power and energy equipment in our rental fleet in Hong Kong;
- approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], for the optimisation of our rental fleet in Hong Kong;
- approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], for the upgrade of our rental fleet in the PRC with China IV construction equipment;
- approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], for strengthening the development of our own-branded products and enhancing of the marketing of our brand;
- approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], for the installation of app-enabled centralised rental fleet management system;
- approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], for the hiring of additional workforce; and
- approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], for general working capital of our Group.

SUMMARY

For details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

DIVIDENDS AND DIVIDENDS POLICY

For the years ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2022, dividend of approximately HK\$50.3 million, HK\$41.0 million, HK\$14.6 million and HK\$4.0 million were declared, respectively. For further details, please refer to Note 11 in the Accountants’ Report in Appendix I to this document.

After completion of the [REDACTED], our Shareholders will be entitled to receive dividends that we declare. The declaration of dividends is subject to the discretion of our Board, our Articles of Association and applicable laws and regulations. Any declaration of final dividend shall also be subject to the approval of our Shareholders in a Shareholders’ meeting. In deciding whether to propose a dividend and in determining the dividend amount, our Directors will take into account our operations and earnings, capital requirements and surplus, general financial condition, capital expenditure and future development requirements, Shareholders’ interest and other factors which they may deem relevant at such time. Subject to those factors and our Articles of Association, we intend to distribute dividend in cash each year up to 30.0% of the distributable profit in our consolidated financial statements for that year. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

[REDACTED] STATISTICS

	Based on the minimum [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation at the [REDACTED] <i>(Note 1)</i>	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited pro forma adjusted consolidated net tangible assets <i>(Note 2)</i> [REDACTED]	HK\$[REDACTED] per [REDACTED] [REDACTED]	HK\$[REDACTED] [REDACTED] [REDACTED]

Notes:

1. The calculation of the market capitalisation of our Shares is based on [REDACTED] Shares in issue immediately after completion of the [REDACTED] but does not take into account any Shares which may be allotted and issued upon the exercise of the [REDACTED], any Shares which may be issued pursuant to the grant of options under the Share Option Scheme or any Shares which may be allotted or repurchased by our Company pursuant to the general mandate and the repurchase mandate.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share has been prepared with reference to certain estimation and adjustment. Please see the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this document for further details.

SUMMARY

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), CS Investment will be beneficially interested in approximately [REDACTED] of the issued Shares. CS Investment is wholly-owned by Mr. Kok. As (i) CS Investment is entitled to exercise 30% or more of the voting power at general meetings of our Company; and (ii) Mr. Kok is entitled to, through CS Investment, control the exercise of 30% or more of the voting power at general meeting of our Company, each of CS Investment and Mr. Kok is regarded as our Controlling Shareholders for the purpose of the Listing Rules. For the background of CS Investment and Mr. Kok, please refer to the sections headed “History, Reorganisation and Group Structure”, “Directors and Senior Management” and “Relationship with our Controlling Shareholders” in this document.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business, revenue model and cost structure remain largely unchanged subsequent to the Track Record Period. According to our Group’s unaudited financial information, our monthly average rental services revenue for the three months ended 31 December 2022 were generally in line with our monthly average rental services revenue for the month ended 30 September 2022.

Our Directors confirm that, save for the [REDACTED] to be incurred as stated in the paragraph headed “Financial Information – [REDACTED]” in this document, (i) there was no material adverse change in the market conditions or the industry environment in which we operate that materially and adversely affected our financial or operating position since 30 September 2022 and up to the date of this document; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 30 September 2022 and up to the date of this document; and (iii) no event had occurred since 30 September 2022 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this document.

Impact of outbreak of COVID-19 pandemic on our operations and financial performance

According to the CHFT Report, the outbreak of COVID-19 (the “Outbreak”) had caused temporary delay of some construction projects in Hong Kong. Some of the construction contractors had encountered interruptions in the supply of construction materials and difficulty in labour deployment in the first quarter of 2020. However, the Outbreak is expected to have limited impact on the demand for construction equipment in the long run due to the fact that the proposed schedules of the construction works in Hong Kong in the following years will unlikely be affected. Attributable to the planned infrastructure development projects, the supportive Government policies in increasing land and housing supply and the expected number of new private residential buildings to be completed, the construction equipment rental and sales industry in Hong Kong is expected to resume when COVID-19 becomes under control. Despite the Outbreak in 2020, we have recorded positive growth in our revenue in the year ended 31 March 2021 as compared to the year ended 31 March 2020 and recorded decrease in our revenue in the year ended 31 March 2022 as compared to 31 March 2021 and six months ended 30 September 2022 as compared to 30 September 2021. We recorded continued increasing overall utilisation rate for the year ended 31 March 2020, 2021 and 2022 and maintained stable overall utilisation rate for the six months ended 30 September 2022 in Hong Kong.

SUMMARY

To the best of our Directors’ knowledge, since the Outbreak and up to the Latest Practicable Date, our customers had not experienced any material suspension in their construction work. In addition, our Directors do not expect to encounter any material suspension as the Outbreak is relatively contained in Hong Kong and the PRC. Moreover, should the construction work of the rental customers be suspended, such rental customer, in general, would still be required to pay rental fees according to the rental services terms agreed between our Group and the rental customer. Furthermore, to the best of our Directors’ knowledge, since the Outbreak and up to the Latest Practicable Date, we had not experienced any material shortage nor delay in supply of construction equipment from our suppliers. Therefore, our Directors are of the view that the Outbreak has not had any material adverse impact on our business, results of operations and financial condition.

Nevertheless, the actual future impact of the Outbreak to our Group may be out of our Directors’ control and beyond our estimation and assessment. If the Outbreak in Hong Kong and the PRC continues for a prolonged period of time, it may materially affect our business, results of operation, financial performance and future prospects. With our long operating history, our Directors confirmed that they have taken steps to ensure the business continuity of our Group despite the ongoing health and financial crises. We will also continue to work closely with our customers to ensure that the impact of any incident experienced due to unforeseen circumstances is minimised to its fullest extent.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, there was one ongoing legal proceeding against our Group for personal injury claim initiated by a former employee of our Group who sustained injury in the course of his employment. The amount of the claim is approximately HK\$2,836,000, plus the relevant interests and further damages. The claim has been taken over by the insurance company. For more details of the personal injury claim, please refer to the paragraph headed “Business – Legal proceedings and compliance – Legal proceedings” in this document. Save as disclosed, to the best knowledge and belief of our Directors, as at the Latest Practicable Date, no member of our Group was engaged in litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

During the Track Record Period, we had been involved in non-compliance with certain regulatory requirements in the PRC which included (i) Guangdong Zhigui did not make adequate contribution to social insurance funds for all of its eligible employees in accordance with the relevant PRC laws and regulations and we estimate that the aggregate outstanding amount involved and the corresponding late payment fee as at 30 September 2022 was approximately RMB666,000; and (ii) Guangdong Zhigui did not make adequate contribution to housing provident fund for all of its eligible PRC employees in accordance with the relevant PRC laws and regulations and we estimate that the aggregate outstanding amount incurred and accrued as at 30 September 2022 was approximately RMB99,000. Please refer to the paragraph headed “Business – Legal proceedings and compliance” in this document for further details. Save as disclosed, our Directors confirm that we have complied with all applicable laws and regulations in all material respects in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date.

SUMMARY

PRINCIPAL RISK FACTORS

You should read the section headed “Risk Factors” in this document carefully before you decide to invest in our Shares. The material risks relating to our business include the following:

- our engagement with our customers are based on projects on hand of our customers, which are non-recurring in nature, and we do not enter into long-term agreements with our customers. There is no guarantee that our existing customers will be awarded new projects on a continuous basis or engage us again in future construction projects;
- we had a high concentration of suppliers during the Track Record Period;
- the costs of new construction equipment may increase, which may cause us to spend significantly more for the procurement and replacement of construction equipment, and in some cases we may not be able to procure construction equipment at all due to supplier constraints;
- there is no guarantee that our suppliers will extend the dealership and distributorship agreement(s) with us upon expiry of such agreements and our future operations may be adversely affected; and
- our business performance is dependent on the trends and development of the construction industry in Hong Kong and the PRC.