You should read the following discussion and analysis in conjunction with our combined financial information, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this document. Our combined financial information has been prepared in accordance with accounting policies which conform with the Hong Kong Financial Reporting Standards. You should read the entire Accountants' Report and not rely merely on the information in this section.

The following discussion and analysis contains certain forward-looking statements that reflect our current views regarding future events and financial performance. These statements are based on assumptions and analyses made by us, considering our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. However, actual outcomes and developments may differ from expectations due to various risks and uncertainties beyond our control, including those described under the sections headed "Risk Factors", "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a security services provider in Hong Kong principally engaged in the provision of (i) Security Guarding Services; and (ii) Electronic Security Solutions Services. During the Track Record Period, our revenue was mainly derived from security guarding services, while we have continued to broaden our service capabilities and revenue base by expanding into electronic security solutions services, including CCTV-related installation and maintenance works and other technology-enabled security solution.

We generated revenue of approximately HK$138.7 million, HK$187.7 million and HK$31.9 million from providing security services in Hong Kong for FY2024, FY2025 and 3M2026, respectively. Our net profit was approximately HK$17.4 million, HK$22.6 million and HK$4.3 million during the same periods. Our project portfolio included projects with customers in the public infrastructure, air cargo, telecommunications, property management, construction and commercial sectors. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any loss-making projects. As at the Latest Practicable Date, we had 28 projects on hand, which included projects that had commenced but not yet completed and projects that had been awarded but not yet commenced.

For further information about our business and operations, please refer to the section headed "Business" in this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations and financial conditions have been, and will continue to be affected by various factors as mentioned in the section headed "Risk Factors" in this document, and in particular, the following:

Demand for Security Guarding Services and Electronic Security Solution Services in Hong Kong

Our business, financial condition and results of operations are affected by the demand for Security Guarding Services and Electronic Security Solution Services in Hong Kong.

During the Track Record Period, our Security Guarding Services were mainly provided at infrastructure, aviation, logistics, construction, property management and commercial sites, including projects at or relating to the HKIA and other sizeable operating premises. Demand for such services is affected by the development, operation, completion, downsizing or changes in manpower requirements of the relevant projects or sites. In particular, where a major infrastructure or construction project progresses to a stage requiring fewer security personnel, or where customers reduce their on-site security, access control, patrolling or manpower support requirements, the number and scale of projects, work orders or manpower deployment available to us may decrease.

Demand for our Electronic Security Solutions Services is affected by customers' adoption of CCTV systems, access control systems, surveillance infrastructure and other security device systems. During the Track Record Period, we expanded this segment mainly through CCTV-related installation, testing, commissioning, warranty and maintenance works. However, such projects are generally subject to customers' project budgets, procurement decisions, implementation timetable, site readiness and order placement schedule. For open contract or unit-price based arrangements, the actual revenue to be recognised by us depends on the type and quantity of equipment or services ordered and the timing of work instructions issued by the relevant customer.

There is no assurance that the demand for security services or electronic security solutions in Hong Kong will continue to grow or remain at the current level, or that our customers will continue to proceed with, maintain or expand their security-related projects as planned. If our customers delay, reduce or cancel their security-related projects, tenders, quotations or work orders, or if the required manpower deployment or order volume decreases, our revenue, profitability, financial condition and results of operations may be materially and adversely affected.

Project-based nature of our revenue and termination or non-renewal of our security service contracts may materially and adversely affect our business, financial condition and results of operations

Our revenue is generally derived from security service projects awarded by our customers from time to time. Our security service contracts typically have a term ranging from 2 months to 3 years, although certain one-off engagements may be as short as one day. Our contracts are generally either (a) one-off event/project-based which are not renewable due to their non-recurring nature; or (b) contracts for customers or sites with continued security needs where the decision to renew ultimately depends on commercial considerations made by the relevant customers.

Given the project-based nature of our business, our revenue and results of operations may fluctuate depending on the number and scale of projects awarded to us, the service period of such projects, the level of manpower required by customers, and whether our existing contracts can be continued or replaced upon expiry or completion. During the Track Record Period, our renewal rate for contracts with continuing security or operating needs was approximately 52.4%. Such historical renewal rate may not be indicative of our future renewal rate.

Given the competitive nature of the security services industry and the background of most of our top five clients during the Track Record Period, these clients tend to hold relatively stronger bargaining power. If other security services providers offer lower prices

to our existing customers, these customers may choose to engage such competitors. Additionally, security service contracts usually contain termination clause and may be terminated early. In such situations, our business and results of operations could be adversely affected.

We cannot assure you that our customers will refrain from terminating security service contracts with us prior to their expiration dates or opt to renew them upon expiration. The termination or non-renewal of a significant number of security service contracts could have a substantial adverse impact on our revenue. If we are unable to retain or renew these contracts and fail to secure comparable replacements from other customers, our business, financial condition and operating results could be materially and negatively affected.

Ability to procure new security service contracts as planned

We believe that expanding our customer base for security service contracts is a key factor in sustaining our business growth. A portion of our revenue during the Track Record Period was generated from contracts awarded through tendering. Specifically, revenue generated from tendering and quotation accounted for approximately 23.0%, 54.5% and 68.0% of our total revenue, respectively, during the each of the Track Record Period. During the Track Record Period, our tender success rate was approximately 12.5%, 55.6% and 60.0%, respectively.

The engagement of security service providers is often influenced by factors such as operating history, service quality, service fees and the reputation of the security service provider. However, we cannot assure you that we will meet the tendering requirements or maintain our overall score under the evaluation systems used by some of our existing major clients. Even if we meet the tendering requirements, there is no assurance that: (i) we would be invited or be made aware of the tender; (ii) the terms and conditions of the new contracts would be as favourable as those of our existing contracts; (iii) the terms and conditions of the potential contracts, if secured, would be commercially acceptable to us; or (iv) our tenders would ultimately be selected by the prospective clients. In the competitive tendering process, we may need to lower our service fees or offer more favourable terms to increase our competitiveness. However, we may not be able to reduce our costs to match these terms, which could negatively impact our profitability. If we fail to secure new contracts, or if the terms of the new contracts are less favourable than those of our existing contracts, our business, financial condition and results of operations may be adversely affected. As a result, our growth prospects could be materially and negatively impacted.

Price fluctuations of labour and subcontracting costs

In FY2024, FY2025 and 3M2026, our direct labour costs amounted to approximately HK$78.6 million, HK$108.1 million and HK$21.6 million, respectively, representing approximately 77.0%, 77.5% and 90.5% of our total cost of services, respectively. As at the Latest Practicable Date, we employed 446 employees deployed to different projects under our management. Additionally, we engaged subcontractors for manpower provision, incurring subcontracting fees of approximately HK$11.0 million, HK$18.9 million and HK$0.1 million, representing 10.8%, 13.6% and 0.3% of our total cost of services, respectively. For details of subcontractors, please refer to the paragraph headed "Business – Our suppliers and subcontractors – Our subcontractors" in this document.

Our business relies heavily on a stable labour supply, as the security services industry is highly labour intensive. Labour shortages, particularly among personnel with specialised skills, pose significant challenges to our operations. Additionally, rising labour costs, driven by minimum wage increases and industry trends, place additional pressure on our profitability. According to the Frost & Sullivan Report, average wages in the security services in Hong Kong market grew at a CAGR of 3.3% between 2021 and 2025, from HK$14,396 to HK$16,418, respectively, and are expected to continue increasing, reaching HK$18,959.1 by 2030. These rising labour costs make it critical to effectively control staff costs and subcontracting fees to maintain our profit margins. Any changes to the Enhanced Supplementary Labour Scheme (ESLS) implemented by the Hong Kong Government may affect the supply of imported workers. If the availability of imported workers is restricted or if we are unable to recruit sufficient workers through the ESLS or other channels, we may face challenges in maintaining adequate manpower to support our operations.

Failure to retain employees or recruit sufficient manpower may force us to offer higher wages, increasing our operating costs. Certain contracts also impose penalties for manpower shortages, which may arise if we cannot meet contractual staffing requirements. Such labour shortages could result in poor service delivery, failure to meet contractual obligations, reputational damage and penalties, all of which could negatively impact our business, financial condition and results of operations.

For illustrative purposes, the following table presents a sensitivity analysis showing the impact of fluctuations in our direct labour costs on our profit before taxation for the Track Record Period. Fluctuations are assumed to be 5.0% and 10.0% for the corresponding periods, respectively.

Hypothetical fluctuations in our direct labour costs	**Increase/(decrease) in profit before income tax**		**Three months ended 31 March**	
	FY2024	**FY2025**	**2025**	**2026**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Increase by 5.0%	(3,928)	(5,405)	(1,575)	(1,081)
Increase by 10.0%	(7,856)	(10,811)	(3,150)	(2,162)
Decrease by 5.0%	3,928	5,405	1,575	1,081
Decrease by 10.0%	7,856	10,811	3,150	2,162

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 February 2025. In preparation for the **[REDACTED]**, we underwent the Reorganisation, as detailed in the section headed "History, Corporate Structure and Reorganisation" in this document. Upon completion of the Reorganisation, our Company [became] the holding company of all subsidiaries currently comprising our Group.

The Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the combined financial statements have been prepared as if the Company had always been the holding company of the Group.

Our historical financial information has been prepared in accordance with accounting policies which conform with the HKFRS Accounting Standards. Details regarding the basis of preparation and presentation of our historical financial information are set out in note 2 to the Accountants' Report in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our management is required to make judgements, estimates and assumptions that affect our application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on our historical experience and other factors that are believed to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by our management 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. Details of our material accounting policy information and key sources of estimation uncertainty are set out in notes 4 and 5 to the Accountants' Report in Appendix I to this document.

We set forth below those accounting policies that we believe are most significant to us or involve the most significant estimates and judgements in the preparation of our combined financial statements:

Revenue recognition

Revenue from the provision of security services is recognised over time in accordance with HKFRS 15 "Revenue from Contracts with Customers." This standard is consistently applied to ensure compliance with the relevant accounting principles.

Revenue from the provision of security guarding services is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs, and is measured based on the output method. The Group bills a fixed amount for each hour or month of services provided, which serves as a direct measurement of the value of the services transferred to the customer.

Revenue from the provision of electronic security solution services is recognised at a point in time when customer acceptance is acquired, and payment is generally due in 30 days from the final acceptance.

The Group elects to apply the practical expedient by recognising revenue from provision of security guarding services and electronic security solution services in the amount to which the Group has a right to invoice and as for the periods of one year or less, respectively.

Interests in joint operations

The Group has the right to share 100% of the revenue, expenses, assets and liabilities of a joint operation, namely, the Arrano JV.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRS Accounting Standards applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the combined financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets are assessed for ECL individually. The provision of ECL is sensitive to changes in estimated loss rates, which are based on internal credit ratings, ageing, repayment history and/or past due status of the respective customers.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets out the combined statements of profit or loss and other comprehensive income for the Track Record Period, as extracted from the Accountants' Report in Appendix I to this document:

	FY2024 *(HK$'000)*	**FY2025** *(HK$'000)*	**3M2025** *(HK$'000)* (unaudited)	**3M2026** *(HK$'000)*
Revenue	138,663	187,708	48,655	31,918
Cost of services	(101,988)	(139,536)	(36,280)	(23,904)
Gross profit	36,675	48,172	12,375	8,014
Other income	575	492	159	264
Other expense	(2,300)	(260)	(260)	–
Impairment losses under expected credit loss model, net	(1,000)	–	–	–
Administrative and selling expenses	(11,336)	(14,171)	(2,361)	(2,685)
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Finance costs	(334)	(277)	(79)	(78)
Profit before taxation	21,883	27,806	7,394	5,005
Income tax expense	(4,478)	(5,239)	(1,582)	(751)
Profit and total comprehensive income for the year	17,405	22,567	5,812	4,254

DESCRIPTION OF SELECTED ITEMS FROM THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

The table below provides a breakdown of our revenue generated from the segments of (1) Security Guarding Services and (2) Electronic Security Solutions Services during the Track Record Period:

	FY2024		FY2025		3M2025		3M2026	
	Revenue *(HK$'000)*	% of total revenue	Revenue *(HK$'000)*	% of total revenue	Revenue *(HK$'000)* (unaudited)	% of total revenue	Revenue *(HK$'000)*	% of total revenue
Security Guarding Services	138,663	100.0	167,702	89.3	48,655	100.0	30,868	96.7
Electronic Security Solutions Services	–	–	20,006	10.7	–	–	1,050	3.3
Total	138,663	100.0	187,708	100.0	48,655	100.0	31,918	100.0

For our Security Guarding Services segment, we recognise revenue over time mainly upon the delivery of Security Guarding Services based on the contract with our customers. Our Group bills a fixed amount for each hour or month of services provided, which is the direct measurement of the value of the services transferred to the customer from our Group's performance. For our Electronic Security Solutions Service segment, we recognise revenue over time mainly upon the installation of electronic security systems and provision of maintenance services based on the progress towards completion of the contracts by reference to the relevant acceptance certificate issued by customers.

During the Track Record Period, our revenue was mainly derived from Security Guarding Services, which amounted to approximately HK$138.7 million, HK$167.7 million and HK$30.9 million for FY2024, FY2025 and 3M2026, respectively, representing approximately 100.0%, 89.3% and 96.7% of our total revenue for the respective periods.

Revenue from Electronic Security Solutions Services amounted to nil, approximately HK$20.0 million and HK$1.1 million for FY2024, FY2025 and 3M2026, respectively, representing nil, 10.7% and 3.3% of our total revenue for the respective periods. The increase in revenue contribution from Electronic Security Solutions Services in FY2025 was mainly was mainly attributable to CCTV-related installation, testing, commissioning, warranty and maintenance works.

Our revenue and segment mix during the Track Record Period reflected our project portfolio and the timing of commencement, completion and work orders of our projects. For more details about the reasons for the period-to-period changes in our revenue, please refer to the paragraph headed "Period-to-period Comparison of Results of Operations" in this section.

Cost of services

The table below provides a breakdown of our cost of services during the Track Record Period:

	FY2024		FY2025		3M2025		3M2026	
	Cost of services *(HK$'000)*	% of total cost of services	Cost of services *(HK$'000)*	% of total cost of services	Cost of services *(HK$'000)* (unaudited)	% of total cost of services	Cost of services *(HK$'000)*	% of total cost of services
Direct labour costs	78,558	77.0	108,109	77.5	31,498	86.8	21,622	90.5
Subcontracting fees	11,028	10.8	18,946	13.6	2,165	6.0	72	0.3
Costs of operations equipment	2,760	2.7	3,566	2.5	441	1.2	565	2.4
Costs of site office equipment	2,196	2.2	1,666	1.2	511	1.4	345	1.4
Transportation	1,131	1.1	1,343	0.9	229	0.6	235	1.0
Patrol vehicle expenses	1,105	1.1	926	0.7	237	0.6	215	0.9
Amortisation of contract costs	4,287	4.2	1,805	1.3	714	2.0	263	1.1
Insurance expenses	–	–	931	0.7	201	0.6	249	1.0
Depreciation	–	–	20	0.0	–	–	19	0.1
Others	923	0.9	2,224	1.6	284	0.8	319	1.3
Total	101,988	100.0	139,536	100.0	36,280	100.0	23,904	100.0

During the Track Record Period, our total cost of services was approximately HK$102.0 million, HK$139.5 million and HK$23.9 million for FY2024, FY2025 and 3M2026, respectively. Our cost structure was mainly driven by the labour-intensive nature of our Security Guarding Services and the manpower deployment requirements of our projects. In particular, direct labour costs and subcontracting fees were the principal components of our cost of services, which in aggregate accounted for approximately 87.8%, 91.1% and 90.8% of our total cost of services for the respective periods. The amount and mix of our cost of services may vary depending on the number, scale and nature of projects undertaken, the level of manpower required by customers, the extent of our use of subcontractors, and the equipment and site support required for the relevant projects.

Our direct costs for the CCTV Contract mainly comprise subcontracting fees for installation works, material costs, direct labour costs, consultancy fees and other project implementation costs. In FY2025, direct costs for the CCTV Contract represented approximately 70.4% of the relevant revenue, and the gross profit margin was approximately 29.6%. In terms of cost structure, subcontracting fees for installation works represented the majority of direct costs, accounting for approximately 79.1% of the total direct costs of the CCTV Contract in FY2025. Material costs, consultancy fees, direct labour and other project implementation costs accounted for approximately 7.0%, 9.1% and 3.0% of such direct costs, respectively.

During the Track Record Period, our administrative expenses and selling comprised the following key components:

(a) Direct labour costs

It represents the salaries, wages and benefits for security personnel, supervisors and other staff of our Group directly providing security services;

(b) Subcontracting fees

It represents the costs incurred for engaging third-party security service providers or subcontractors to perform part of services required for our Security Guarding Services and Electronic Security Solution projects. For details of subcontractors, please refer to the paragraph headed "Business – Our suppliers and subcontractors – Our subcontractors" in this document;

(c) Costs of operations equipment

It represents the costs of equipment which supports our operations such as access control system, electronic systems, communication devices, and other tools used in delivering security services;

(d) Costs of site office equipment

It represents the set up and maintenance costs of equipment at our site office at the Three-runway System Project Site and other project sites, such as mobile toilets, generator and general site office equipment expenses;

(e) Transportation

It represents the costs incurred for procuring shuttle bus services to deploy our security services personnel to and from project sites;

(f) Patrol vehicle expenses

It represents the costs incurred for the rental and repair of patrol vehicles to support our provision of security services;

(g) Amortisation of contract costs

It represents the amortisation on our intangible assets arising from long-term investment, being the consideration paid for the novation to us of all rights, benefits, interests, obligations and liabilities under the Three-runway Contract. For details of the acquisition of the Three-runway Contract, please refer to the paragraph headed "Business – Our projects – The Three-runway Contract" in this document;

(h) Insurance expenses

It represents insurance premiums incurred in relation to our project operations, including employees' compensation insurance and public liability insurance;

(i) Depreciation

It represents depreciation of patrol vehicles used for our service operations; and

(j) Others

It represents the referral fees incurred in relation to security manpower and project management service fees.

Gross profit and gross profit margin

The table below provides a breakdown of our gross profit and gross profit margin for provision of security services by customer type during the Track Record Period:

	FY2024		FY2025		3M2025		3M2026	
	Gross profit *(HK$'000)*	Gross profit margin %	Gross profit *(HK$'000)*	Gross profit margin %	Gross profit *(HK$'000)* (unaudited)	Gross profit margin %	Gross profit *(HK$'000)*	Gross profit margin %
Security Guarding Services	36,675	26.4	42,260	25.2	12,375	25.4	7,641	24.8
Electronic Security Solutions Services	–	–	5,912	29.6	–	–	373	35.5
Total	36,675	26.4	48,172	25.7	12,375	25.4	8,014	25.1

Our gross profit increased from approximately HK$36.7 million for FY2024 to approximately HK$48.2 million for FY2025, primarily due to the increase in revenue generated from our Security Guarding Services and the revenue contribution from Electronic Security Solutions Services during FY2025. Our overall gross profit margin remained relatively stable at approximately 26.4% and 25.7% for FY2024 and FY2025, respectively, as the increase in revenue was generally accompanied by a corresponding increase in direct labour costs, subcontracting fees and other direct project costs.

For 3M2025 and 3M2026, our gross profit was approximately HK$12.4 million and HK$8.0 million, respectively, while our overall gross profit margin was approximately 25.4% and 25.1%, respectively. The decrease in gross profit was mainly attributable to the decrease in revenue from Security Guarding Services, in particular the reduction in manpower deployment requirements for certain sizeable projects. Our overall gross profit margin remained broadly stable, as the reduction in revenue was generally matched by a reduction in manpower-related and other direct project costs.

Our Directors consider that the CCTV Contract is expected to contribute positively to our Group's overall gross margin, as its gross profit margin in FY2025 was higher than the Group's overall gross profit margin. However, as the CCTV Contract is order-based and does not contain any minimum purchase commitment, the actual revenue and margin contribution will depend on the timing, quantity and mix of orders issued by Customer D, the type of implementation works required, subcontracting costs, material costs and project execution efficiency.

Other income

The table below provides a breakdown of our other income during the Track Record Period:

	FY2024	**FY2025**	**3M2025**	**3M2026**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Other income				
Bank interest income	4	1	–	14
Loan interest income	297	63	63	–
Management fee income	180	–	96	–
Sundry income	94	128	–	39
Consultancy income	–	300	–	211
	575	492	159	264

Our other income amounted to approximately HK$0.6 million, HK$0.5 million, and HK$0.3 million for FY2024, FY2025 and 3M2026, respectively. During the Track Record Period, our other income mainly comprised bank interest income, loan interest income, management fee income, sundry income and consultancy income. The decrease in other income from FY2024 to FY2025 was mainly due to the decrease in loan interest income and management fee income, which was partially offset by the consultancy income. The increase in other income from 3M2025 to 3M2026 was mainly attributable to the consultancy income in 3M2026. The consultancy income represented income generated from the provision of consultancy services to a customer in relation to the procurement of security service system license.

Administrative and selling expenses

The table below provides a breakdown of our administrative and selling expenses during the Track Record Period:

	FY2024		FY2025		3M2025		3M2026	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)* (unaudited)	*%*	*(HK$'000)*	*%*
Staff costs, including directors' emoluments	4,931	43.5	7,218	50.9	958	40.6	1,292	48.1
Legal and professional fees	1,884	16.6	2,825	20.0	453	19.1	531	19.8
Employee support and training expenses	1,533	13.5	568	4.0	50	2.1	64	2.4
Auditors' remuneration	700	6.2	200	1.4	–	–	–	–
Rent, rates and property management fees	609	5.4	620	4.4	154	6.5	156	5.8
Depreciation	516	4.5	1,097	7.7	360	15.3	246	9.1
Entertainment expenses	353	3.1	698	4.9	147	6.2	93	3.5
Insurance expenses	200	1.8	126	0.9	14	0.6	53	2.0
Others	610	5.4	819	5.8	225	9.6	250	9.3
Total	11,336	100.0	14,171	100.0	2,361	100.0	2,685	100.0

During the Track Record Period, the total administrative and selling expenses for our Group were approximately HK$11.3 million, HK$14.2 million and HK$2.7 million, respectively. Our administrative expenses and selling comprised the following key components:

(a) Staff costs including directors' emoluments

It represents the fees, salaries, wages and contributions to retirement benefit scheme provided to our Directors, finance, accounting and administrative staff;

(b) Entertainment expenses

It represents business meals and hospitality expenses incurred for maintaining relationships with existing customers, developing relationships with potential customers and business partners, and supporting business development activities;

(c) Legal and professional fees

It represents the fees provided to our team of consultants and other legal and professional fees. For further details of our team of consultants, please refer to the paragraph headed "Business – Competitive strengths – Solid management team and consultancy team" in this document;

(d) Auditors' remuneration

It represents the fees paid to auditors for provision of audit services;

(e) Depreciation

It represents mainly the depreciation expenses of the leased properties used as staff quarters for imported labour;

(f) Employee support and training expenses

It represents mainly the costs incurred for recruitment, staff training and uniform as well as staff welfare expenses;

(g) Rent, rates and property management fees

It represents mainly the rent, rates and property management fees paid in relation to leasing of our head office;

(h) Insurance expenses

It represents the insurance premiums for insurance policies maintained by our Group including public liability insurance, employees' compensation insurance, and group medical insurance; and

(i) Others

It represents miscellaneous expenses which mainly include sundry expenses, license fees, computer expenses and yacht-related expenses.

Other expense

During the Track Period, the other expense of our Group was approximately HK$2.3 million, HK$0.3 million and nil for FY2024, FY2025 and 3M2026, respectively. The other expense of our Group primarily represents our donation to Future Hong Kong Football Development Charity Limited, a charitable institution in Hong Kong under Section 88 of the Inland Revenue Ordinance, which promotes the local development of football. Such donation was one-off and non-recurring nature.

Impairment losses under expected credit loss model, net

Our impairment loss under expected credit loss ("**ECL**") model, net primarily represented the net impairment losses/net reversal of impairment losses on financial assets (including trade and other receivables and deposits, amounts due from a joint operator shareholders, loan to a related company and bank balances) and contract assets in respect of our impairment assessment in accordance with HKFRS 9 as at 31 December 2024 and 2025 and as at 31 March 2026. The net impairment losses under ECL model for our Group was approximately HK$1.0 million for FY2024, nil for FY2025 and nil for 3M2026. The amount as at 31 December 2024 mainly represented the impairment of losses for our bond security sum.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. During the Track Record Period, our impairment losses comprised the following classifications:

(a) Lifetime ECL

Represents the ECL that will result from all possible default events over the expected life of the relevant financial instrument. The Group always recognises lifetime ECL for trade receivables and contract assets.

(b) 12-month ECL

Represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL.

Bond security sum

The bond security sum represented a cash deposit of HK$3.5 million contributed by our Group in connection with the JV Partner's arrangement of the performance bond as a security measure to guarantee due performance under the Three-runway Contract. For details, please refer to the paragraph headed "Business – Our projects – The Three-runway Contract" in this document.

During FY2024, having regard to the financial difficulties encountered by the JV Partner and the increased uncertainty over the recoverability of the bond security sum, our Directors considered that there had been a significant increase in credit risk and recognised an additional impairment allowance of HK$1.0 million in respect of the bond security sum. No further impairment allowance was recognised during FY2025 and 3M2026.

For details of the impairment assessment and credit risk of our trade receivables, contract assets and financial assets, please refer to the paragraphs headed "Notes to the historical financial information – 17. Trade receivables" and "Notes to the historical financial information – 29. Financial instruments – Financial risk management objectives and policies – Credit risk and impairment assessment" in Appendix I to this document.

Finance costs

During the Track Record Period, our finance costs represented interest in bank borrowings and lease liabilities, amounted to approximately HK$0.3 million, HK$0.3 million and HK$0.1 million, respectively.

Income tax expense

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As such, we are not subject to any Cayman Islands income tax. However, during the Track Record Period, our operating subsidiaries, namely Arrano Group and Arrano Security are subject to income tax on profits arising from Hong Kong.

Hong Kong profits tax during the Track Record Period was calculated at 16.5% of the estimated assessable profits for the year, except for two subsidiaries of our Group, namely Arrano Group (after consolidating the accounts of the Arrano JV) and Arrano Security, that qualified under the two-tiered profits tax rates regime for FY2024, FY2025 and 3M2026 respectively. Under this regime, the first HK$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and the assessable profits above HK$2 million will be taxed at 16.5%.

Our income tax expense for the Track Record Period can be reconciled with the profit before taxation as per the combined statements of profit or loss and other comprehensive income as follows:

	FY2024 *(HK$'000)*	**FY2025** *(HK$'000)*	**3M2025** *(HK$'000)* (Unaudited)	**3M2026** *(HK$'000)*
Profit before taxation	21,883	27,806	7,394	5,005
Tax calculated at applicable tax rates at 16.5%	3,611	4,588	1,220	826
Income tax at concessionary rate	(165)	(165)	(165)	(165)
Tax effect of:				
Non-taxable income	–	(21)	–	–
Non-deductible expense	1,036	1,302	527	90
Tax reduction	(4)	(12)	–	–
Over-provision in prior year	–	(453)	–	–
	4,478	5,239	1,582	751

Our income tax expense during the Track Record Period was approximately HK$4.5 million, HK$5.2 million and HK$0.8 million, respectively. The effective tax rates during the Track Record Period were approximately 20.5%, 18.8% and 15.0%, respectively.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax disputes with the relevant tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Comparison of FY2024 and FY2025 results

Revenue

Our revenue increased from approximately HK$138.7 million for FY2024 to approximately HK$187.7 million for FY2025, representing an increase of approximately 35.4%. Such increase was mainly attributable to revenue generated from new and expanded sizeable projects during FY2025, including the scale-up of projects with the Air Cargo Terminal Operator, newly commenced security guarding projects such as the KT project, and the commencement of CCTV-related installation and related works.

Revenue from Security Guarding Services increased from approximately HK$138.7 million for FY2024 to approximately HK$167.7 million for FY2025, mainly due to the scale-up of projects with the Air Cargo Terminal Operator, as we undertook an expanded scope of security guarding services at the relevant air cargo terminal during FY2025. Revenue from such projects increased from approximately HK$3.5 million for FY2024 to approximately HK$42.5 million for FY2025. Further, we recorded revenue from newly commenced security guarding projects, including the KT project, which contributed approximately HK$5.8 million for FY2025. Revenue from Project 3408 also increased from approximately HK$15.7 million for FY2024 to approximately HK$20.9 million for FY2025, mainly reflecting the higher amount of services performed under the relevant open contract during FY2025 and the upward adjustment in the unit service rate during the year. Such increase was partially offset by the decrease in revenue from Project 3910 due to the lower level of manpower deployment required as the relevant Three-runway System Project progressed, and the decrease in revenue from the Tai Wo project following the expiry of the relevant contract in May 2025.

During FY2025, we recorded revenue of approximately HK$20.0 million from Electronic Security Solutions Services, as compared with nil for FY2024. Such revenue was mainly derived from CCTV-related installation and related works undertaken during FY2025.

Cost of services

Our cost of services increased by approximately HK$37.5 million or 36.8%, from approximately HK$102.0 million for FY2024 to approximately HK$139.5 million for FY2025. Such increase was mainly driven by our enlarged project portfolio during FY2025, in particular the scale-up of the Air Cargo Terminal Project and the commencement of the CCTV Contract and the KT project, resulting in higher staff deployment and subcontracting costs. The increase was partially offset by lower costs incurred for the Three-runway Contract and the Tai Wo project.

The following is a discussion of the changes in the key components of our cost of services during FY2024 as compared to FY2025:

(a) Our direct labour costs increased by approximately HK$29.6 million or 37.6%, from approximately HK$78.6 million for FY2024 to approximately HK$108.1 million for FY2025. Such increase was mainly attributable to the increased deployment of our own security personnel for new and expanded security guarding projects during FY2025, in particular the scale-up of the Air Cargo Terminal Project, the commencement of the KT project and the increased manpower deployment for Project 3408. Such increase was partially offset by the decrease in direct labour costs for the Three-runway Contract and the Tai Wo project, following the decrease in service scale of these projects during FY2025. In relation to the Three-runway Contract, although the Group deployed more of its own security personnel for certain frontline roles and adjusted the manpower support arrangement with Subcontractor A, its direct labour costs decreased as the overall activity level of the project decreased during FY2025.

(b) Our subcontracting fees increased by approximately HK$8.0 million or 72.0%, from approximately HK$11.0 million for FY2024 to approximately HK$19.0 million for FY2025. Such increase was mainly attributable to the increased engagement of third-party subcontractors and service providers for project-specific works and support services during FY2025, particularly in relation to the CCTV Contract and cleaning-related services. Such increase was partially offset by the decrease in subcontracting fees for the Three-runway Contract, as the Group adjusted the manpower support arrangement with Subcontractor A and deployed more of its own security personnel for certain frontline roles during FY2025.

(c) Our costs of operations equipment increased by approximately HK$0.8 million or 29.2%, from approximately HK$2.8 million for FY2024 to approximately HK$3.6 million for FY2025. Such increase was mainly attributable to equipment and materials costs incurred for the CCTV Contract in FY2025, including equipment and tools required for CCTV installation and related works.

(d) Our costs of site office equipment decreased by approximately HK$0.5 million or 24.1%, from approximately HK$2.2 million for FY2024 to approximately HK$1.7 million for FY2025. Such decrease was mainly due to lower site office and site support expenses, including mobile toilets, generator and general site office expenses during FY2025.

(e) Our transportation costs increased by approximately HK$0.2 million or 18.7%, from approximately HK$1.1 million for FY2024 to approximately HK$1.3 million for FY2025. Such increase was mainly attributable to transportation costs incurred for the Air Cargo Terminal Project in FY2025, as additional shuttle bus and staff transportation arrangements were required for security personnel deployed to the air cargo terminal, partially offset by the decrease in transportation costs for the Three-runway Contract.

(f) Our patrol vehicle expenses decreased by approximately HK$0.2 million or 16.2%, from approximately HK$1.1 million for FY2024 to approximately HK$0.9 million for FY2025. Such decrease was mainly due to lower repair and maintenance expenses for patrol vehicles used for the Three-runway Contract, partially offset by vehicle expenses incurred for the CCTV Contract during FY2025.

(g) Our amortisation of contract costs decreased by approximately HK$2.5 million or 57.9%, from approximately HK$4.3 million for FY2024 to approximately HK$1.8 million for FY2025. Such decrease was mainly due to the extension of the service period of the Three-runway Contract, as the relevant capitalised contract costs were amortised over the extended service period, resulting in a lower amortisation charge recognised for FY2025.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$11.5 million or 31.3%, from approximately HK$36.7 million for FY2024 to approximately HK$48.2 million for FY2025. Such increase was mainly attributable to the increase in our revenue during FY2025, driven by the scale-up of the Air Cargo Terminal Project, the commencement of the CCTV Contract and the KT project, and the increased revenue contribution from Project 3408. In particular, the commencement of the CCTV Contract under our Electronic Security Solutions segment contributed to our revenue and gross profit in FY2025 and diversified our service mix as compared to FY2024, when our revenue was substantially derived from security guarding services.

Our overall gross profit margin remained relatively stable at approximately 26.4% for FY2024 and approximately 25.7% for FY2025, as the increase in revenue was generally accompanied by a corresponding increase in direct labour costs, subcontracting fees and other direct project costs.

Other income

Our other income decreased by approximately HK$0.1 million or 14.4%, from approximately HK$0.6 million for FY2024 to approximately HK$0.5 million for FY2025. Such decrease was mainly attributable to the decrease in loan interest income following the reduction in the outstanding interest-bearing loan to a related company, and the absence of management fee income from Perfect Nations Limited in FY2025. Such decrease was partially offset by the increase in consultancy income.

Administrative and selling expenses

Our administrative and selling expenses increased by approximately HK$2.8 million or 25.0%, from approximately HK$11.3 million for FY2024 to approximately HK$14.2 million for FY2025. Such increase was mainly attributable to (i) an increase in staff costs, including Directors' emoluments, as we incurred higher salaries, wages and other staff benefits for our management, finance, accounting and administrative staff to support our expanded business scale; and (ii) an increase in legal and professional fees, mainly due to consultancy fees incurred for engaging external consultants to support our business operations, including security

operations and electronic security systems. Such increase was partially offset by the decrease in employee support and training expenses and auditors' remuneration during FY2025.

Other expense

Our other expense decreased by approximately HK$2.0 million or 88.7%, from approximately HK$2.3 million for FY2024 to approximately HK$0.3 million for FY2025. This decrease was mainly attributable to the decrease in donations made to charitable organisations.

Impairment losses under expected credit loss model, net

Our impairment losses under expected credit loss model, net decreased by approximately HK$1.0 million or 100%, from approximately HK$1.0 million for FY2024 to nil for FY2025. Such decrease was mainly because the relevant bond security sum in relation to the Three-runway Contract had been fully impaired in FY2024, and no further net impairment loss was recognised for FY2025. For further details, please refer to the paragraph headed "Description of selected items from the combined statements of profit or loss and other comprehensive income – Impairment losses under expected credit loss model, net – Bond security sum" above in this section.

Finance costs

Our finance costs remained relatively stable at approximately HK$0.3 million for each of FY2024 and FY2025. Such finance costs mainly represented interest on bank borrowings and lease liabilities.

Income tax expense

Our income tax expense increased by approximately HK$0.8 million or 17.0%, from approximately HK$4.5 million for FY2024 to approximately HK$5.2 million for FY2025. The increase was mainly due to the increase in profit before taxation during FY2025. Meanwhile, our effective tax rate decreased from approximately 20.5% for FY2024 to approximately 18.8% for FY2025, mainly due to the lower tax effect of non-deductible expenses in FY2025.

Profit and total comprehensive income for the year

As a result of the foregoing, we recorded a profit and total comprehensive income for the year increased by approximately HK$5.2 million or 29.7%, from approximately HK$17.4 million for FY2024 to approximately HK$22.6 million for FY2025.

Our net profit margin slightly decreased from approximately 12.6% for FY2024 to approximately 12.0% for FY2025.

Comparison of 3M2025 and 3M2026 results

Revenue

Our revenue decreased by approximately HK$16.8 million or 34.4%, from approximately HK$48.7 million for 3M2025 to approximately HK$31.9 million for 3M2026. Such decrease was mainly attributable to the decrease in revenue from our Security Guarding Services segment, primarily due to the lower revenue contribution from the Three-runway Contract as the activity level and manpower requirements at the Three-runway System Project Site decreased during 3M2026. Such decrease was partially offset by revenue contribution from new and expanded security guarding projects, including the KT project, and the continued revenue contribution from the Air Cargo Terminal Project. During 3M2026, we also recorded revenue from our Electronic Security Solutions segment following the commencement of the CCTV Contract, whereas no such revenue was recorded for 3M2025.

Cost of services

Our cost of services decreased by approximately HK$12.4 million or 34.1%, from approximately HK$36.3 million for 3M2025 to approximately HK$23.9 million for 3M2026. Such decrease was generally in line with the decrease in our revenue during 3M2026 and was mainly attributable to the lower service scale of certain security guarding projects, particularly the Three-runway Contract, partially offset by costs incurred for new and expanded projects during 3M2026.

The following is a discussion of the changes in the key components of our cost of services during 3M2026 as compared to 3M2025:

(a) Our direct labour costs decreased by approximately HK$9.9 million or 31.4%, from approximately HK$31.5 million for 3M2025 to approximately HK$21.6 million for 3M2026. Such decrease was mainly attributable to the lower service scale and manpower deployment for certain security guarding projects during 3M2026, particularly the Three-runway Contract and the Tai Wo project. Such decrease was partially offset by direct labour costs incurred for new and expanded projects during 3M2026, including the KT project and other project-based security guarding services.

(b) Our subcontracting fees decreased by approximately HK$2.1 million or 96.7%, from approximately HK$2.2 million for 3M2025 to approximately HK$0.1 million for 3M2026. Such decrease was mainly attributable to the lower use of subcontracted manpower support for certain security guarding projects during 3M2026, following the decrease in service scale of the relevant projects and the Group's adjustment of manpower support arrangements with Subcontractor A.

(c) Our costs of operations equipment increased by approximately HK$0.1 million or 28.1%, from approximately HK$0.4 million for 3M2025 to approximately HK$0.6 million for 3M2026. Such increase was mainly attributable to equipment and materials costs incurred for the CCTV Contract during 3M2026, including equipment and tools required for CCTV installation and related works, partially offset by lower operations equipment costs for certain security guarding projects.

(d) Our costs of site office equipment decreased by approximately HK$0.2 million or 32.5%, from approximately HK$0.5 million for 3M2025 to approximately HK$0.3 million for 3M2026. Such decrease was mainly attributable to lower site office and site support expenses for the Three-runway Contract during 3M2026.

(e) Our transportation costs remained relatively stable at approximately HK$0.2 million for each of 3M2025 and 3M2026.

(f) Our patrol vehicle expenses remained relatively stable at approximately HK$0.2 million for each of 3M2025 and 3M2026.

(g) Our amortisation of contract costs decreased by approximately HK$0.5 million or 63.2%, from approximately HK$0.7 million for 3M2025 to approximately HK$0.3 million for 3M2026. Such decrease was mainly due to the extension of the service period of the Three-runway Contract, following which the remaining capitalised contract costs were amortised over the revised remaining service period, resulting in a lower amortisation charge recognised for 3M2026.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$4.4 million or 35.2%, from approximately HK$12.4 million for 3M2025 to approximately HK$8.0 million for 3M2026. Such decrease was mainly attributable to the decrease in revenue from our Security Guarding Services segment during 3M2026, primarily due to the lower revenue contribution from the Three-runway Contract. The decrease was partially offset by gross profit contribution from new and expanded projects during 3M2026, including the KT project under our Security Guarding Services segment and the CCTV Contract under our Electronic Security Solutions segment.

Our overall gross profit margin remained relatively stable at approximately 25.4% for 3M2025 and 25.1% for 3M2026. The gross profit margin of our Electronic Security Solutions segment was approximately 35.5% for 3M2026, which was higher than our overall gross profit margin. However, as revenue from this segment only accounted for a small portion of our total revenue during 3M2026, its impact on our overall gross profit margin was limited. Accordingly, our overall gross profit margin remained stable, notwithstanding the commencement of revenue contribution from the Electronic Security Solutions segment since the second half of FY2025.

Other income

Our other income increased by approximately HK$0.1 million or 66.0%, from approximately HK$0.2 million for 3M2025 to approximately HK$0.3 million for 3M2026. Such increase was mainly attributable to consultancy income and sundry income recognised during 3M2026, partially offset by the absence of management fee income and the decrease in bank interest income during 3M2026.

Administrative and selling expenses

Our administrative and selling expenses increased by approximately HK$0.3 million or 13.7%, from approximately HK$2.4 million for 3M2025 to approximately HK$2.7 million for 3M2026. Such increase was mainly attributable to the increase in staff costs, including Directors' emoluments, and consultancy fees incurred for engaging external consultants to support our business operations. Such increase was partially offset by the decrease in depreciation and entertainment expenses during 3M2026.

Other expense

Our other expense decreased by approximately HK$0.3 million or 100%, from approximately HK$0.3 million for 3M2025 to nil for 3M2026. This decrease was mainly attributable to the absence of donation expenses during 3M2026.

Impairment losses under expected credit loss model, net

There were no impairment losses during 3M2025 and 3M2026.

Finance costs

Our finance costs remained relatively stable at approximately HK$0.1 million for each of 3M2025 and 3M2026. Such finance costs mainly represented interest on bank borrowings and lease liabilities.

Income tax expense

Our income tax expense decreased by approximately HK$0.8 million or 52.5%, from approximately HK$1.6 million for 3M2025 to approximately HK$0.8 million for 3M2026. The decrease was mainly due to the decrease in profit before taxation during 3M2026.

Profit and total comprehensive income for the period

As a result of the foregoing, we recorded a profit and total comprehensive income for the period decreased by approximately HK$1.6 million or 26.8%, from approximately HK$5.8 million for 3M2025 to approximately HK$4.3 million for 3M2026.

Our net profit margin slightly increased from approximately 11.9% for 3M2025 to approximately 13.3% for 3M2026.

DESCRIPTION OF SELECTED ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets out our combined statements of financial position as at the dates indicated:

	As at 31 December		As at 31 March
	2024	2025	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Non-current assets			
Plant and equipment	3,148	215	495
Right-of-use assets	1,651	798	565
Intangible assets	2,858	1,053	790
Loan to a related company	4,494	–	–
Prepayments	–	520	390
Total non-current assets	12,151	2,586	2,240
Current assets			
Trade receivables	15,900	26,248	12,763
Contract assets	23,158	11,455	6,765
Prepayments, deposits and other receivables	1,685	16,038	17,467
Amounts due from shareholders	11,790	12,758	10,788
Loan to a related company	1,605	–	–
Pledged bank deposit	–	–	5,000
Bank balances and cash	638	13,371	11,765
Total current assets	54,776	79,870	64,548
Current liabilities			
Trade payables, other payables and accruals	32,198	39,066	21,661
Contract liabilities	–	–	243
Lease liabilities	881	813	582
Income tax payable	4,018	2,510	2,209
Bank borrowing	6,052	4,493	8,269
Total current liabilities	43,149	44,882	32,964
Net current assets	11,627	32,988	31,584
Total assets less current liabilities	23,778	35,574	33,824

	As at 31 December		As at 31 March
	2024	2025	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Non-current liabilities			
Lease liabilities	775	4	–
Net assets	23,003	35,570	33,824
Capital and reserves			
Share capital	–*	–*	–*
Retained profits	23,003	35,570	33,824
Total equity	23,003	35,570	33,824

* Amount less than HK$500

Intangible assets

During the Track Record Period, our intangible assets represented the capitalised consideration paid to the joint venture partners for the Three-runway Contract, resulting from the acquisition of our interests and entitlements relating to the Three-runway Contract. For details of the Three-runway Contract, please refer to the paragraph headed "Business – Our projects – The Three-runway Contract" in this document. As at 31 December 2024 and 2025 and as at 31 March 2026, the carrying amounts of our intangible assets were approximately HK$2.9 million, HK$1.1 million and HK$0.8 million, respectively. This decrease was primarily attributable to the amortisation recognised during FY2025 and 3M2026.

During the Track Record Period, our amortisation expenses on intangible assets amounted to approximately HK$4.3 million, HK$1.8 million and HK$0.3 million, respectively.

Plant and equipment

During the Track Record Period, our plant and equipment consisted of motor vehicles and a yacht. As at 31 December 2024 and 2025 and 31 March 2026, the carrying amounts of our plant and equipment were approximately HK$3.1 million, HK$0.2 million and HK$0.5 million, respectively. The decrease as at 31 December 2025 was mainly due to the disposal of the yacht during FY2025. The subsequent increase as at 31 March 2026 was mainly attributable to the addition of patrol vehicle during 3M2026, partially offset by depreciation charged during the period.

Right-of-use assets

During the Track Record Period, our right-of-use assets consisted of the staff quarters for our imported labour. As at 31 December 2024 and 2025 and 31 March 2026, the carrying amounts of our right-of-use assets were approximately HK$1.7 million, HK$0.8 million and

HK$0.6 million, respectively. The decrease was mainly attributable to depreciation charged during FY2025 and 3M2026.

Trade receivables

Trade receivables are amounts due from customers for our provision of security services in the ordinary course of business. Our trade receivables are generally due for settlement within 14–60 days of the invoice date and therefore are all classified as current. On a case-by-case basis, and after evaluating the business relationship and creditworthiness of our customers, we may extend the credit period upon their request. Our Group does not hold any collateral over these trade receivables.

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

	As at 31 December		As at 31 March
	2024	2025	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Trade receivables	15,900	26,248	12,763
	15,900	26,248	12,763

As at 31 December 2024, our trade receivables amounted to approximately HK$15.9 million. Such balance included an invoice in the amount of approximately HK$9.1 million issued to the HKIA Operator. Pursuant to the interim payment certificate issued by the HKIA Operator dated 3 December 2024, the HKIA Operator was required to pay such amount by 24 December 2024. The payment was delayed due to the Christmas and New Year holidays from late December 2024 to early January 2025, during which longer processing time was expected. The full amount of approximately HK$9.1 million was subsequently received by 3 January 2025.

Our trade receivables increased by approximately HK$10.3 million, from approximately HK$15.9 million as at 31 December 2024 to approximately HK$26.2 million as at 31 December 2025. Such increase was mainly attributable to the increase in our business scale and revenue during FY2025, together with the timing of billing and settlement of certain invoices issued before year end.

Our trade receivables decreased by approximately HK$13.5 million, from approximately HK$26.2 million as at 31 December 2025 to approximately HK$12.8 million as at 31 March 2026. Such decrease was mainly attributable to the subsequent settlement of outstanding trade receivables after 31 December 2025.

Ageing analysis and subsequent settlement

The following table sets out the ageing analysis of trade receivables, based on invoice date as at the dates indicated:

	As at 31 December		As at 31 March
	2024	2025	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Less than 30 days	12,129	11,888	9,324
31–60 days	2,339	4,969	1,293
61–90 days	–	9,182	809
Over 90 days	1,432	209	1,337
	15,900	26,248	12,763

We have a policy for determining the allowance for impairment based on the evaluation of collectability and ageing analysis of trade receivables and on management's judgement, including the change in credit quality, collateral value and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and diversified.

Trade receivables and contract assets are assessed for expected credit losses ("**ECL**") individually. The provision of ECL is sensitive to changes in estimated loss rates, which are based on internal credit ratings, ageing, repayment history and/or past due status of the respective customers.

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, deposits and other receivable, amounts due from shareholders, loan to a related company, bank balances and contract assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For details, please refer to note 4 and note 29 in the Accountants' Report in Appendix I to this document.

The table below presents a summary of the average trade receivables turnover days for the periods indicated:

	FY2024	FY2025	3M2026
Average trade receivables turnover days *(Note)*	23.7 days	41.0 days	55.0 days

Note: Average trade receivables turnover days are calculated by dividing the average balances of trade receivables by revenue for the year/period and multiplying the result by the number of days in the year (365 days) or period (90 days). The average balance of trade receivables is calculated as the sum of the opening and the closing balances for the relevant period, divided by two.

Our average trade receivables turnover days increased from approximately 23.7 days for FY2024 to approximately 41.0 days for FY2025, mainly due to the higher average balance of trade receivables during FY2025, which was attributable to the increase in our business scale and the timing of billing and settlement of certain sizeable invoices before year end.

Our average trade receivables turnover days further increased to approximately 55.0 days for 3M2026, mainly due to the relatively high opening balance of trade receivables as at 1 January 2026 and the lower revenue recorded during 3M2026. Notwithstanding the increase, our trade receivables decreased from approximately HK$26.2 million as at 31 December 2025 to approximately HK$12.8 million as at 31 March 2026, reflecting subsequent settlement of outstanding balances.

As at 30 June 2026, approximately HK$11.8 million or 92.2% of our trade receivables as at 31 March 2026, were settled.

Contract assets

Contract assets represent uncertified revenue which the Group's right to receive consideration for security services rendered pending verification of attendance records by customers as at the end of the reporting period. Uncertified revenue is transferred to trade receivables when the Group obtains the certification issued by the customers and is to be settled within 14–60 days from the invoice date. For security guarding services, our revenue is generally supported by attendance records or service records of security personnel. For certain customers, such as the HKIA Operator, the attendance records and supporting documents are subject to the customer's review, confirmation and/or certification as part of the billing and payment process. For electronic security solutions projects, including CCTV installation works, the relevant customer will generally inspect and test the completed installation works and certify the works before billing is finalised.

As at 31 December 2024 and 2025 and 31 March 2026, our contract assets amounted to approximately HK$23.2 million, HK$11.5 million and HK$6.8 million, respectively.

Our contract assets decreased from approximately HK$23.2 million as at 31 December 2024 to approximately HK$11.5 million as at 31 December 2025. Such decrease was mainly attributable to the timing of certification and billing by customers, as a larger portion of services rendered before year end had been certified and transferred to trade receivables as at 31 December 2025, as compared to 31 December 2024. The decrease was also attributable to the lower uncertified revenue from the Three-runway Contract as at 31 December 2025, following the decrease in its activity level during FY2025, partially offset by contract asset arising from CCTV Project during FY2025.

Our contract assets further decreased to approximately HK$6.8 million as at 31 March 2026, mainly due to the lower revenue and service scale during 3M2026 and the continued certification and billing of services rendered before the period end.

The following table sets out our contract assets for the periods indicated:

	As at 31 December		As at 31 March
	2024	2025	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Contract assets	23,158	11,455	6,765

As at 30 June 2026, approximately HK$6.5 million or 96.6% of our contract assets as at 31 March 2026 had been subsequently billed, certified and/or transferred to trade receivables.

Prepayments, deposits and other receivables

The following table sets out the breakdown of prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		As at 31 March
	2024	2025	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Current			
Other receivables	925	5,476	4,474
Deposits	545	674	522
Prepayments	83	7,706	9,894
Prepaid **[REDACTED]** expenses	–	–	**[REDACTED]**
Prepaid issue costs	–	–	56
Deferred issue costs	132	2,182	2,352
Non-current			
Prepayment	–	520	390
	1,685	16,558	17,857

During the Track Record Period, our prepayments, deposits and other receivables mainly comprised other receivables, deposits, prepayments and deferred issue costs. Other receivables mainly represented receivables arising from ancillary support provided to a third party for specified third-party system products, and other sundry receivables. Deposits mainly represented rental and utility deposits for staff quarters, project-related deposits and deposits paid in relation to our security operations. Prepayments mainly represented prepaid insurance premiums and prepaid third-party system licence and service renewal fees. Deferred issue costs represented professional fees and other costs incurred in connection with the **[REDACTED]** which were capitalised.

As at 31 December 2024 and 2025 and 31 March 2026, our prepayments, deposits and other receivables amounted to approximately HK$1.7 million, HK$16.6 million and HK$17.9 million, respectively.

Our prepayments, deposits and other receivables increased from approximately HK$1.7 million as at 31 December 2024 to approximately HK$16.6 million as at 31 December 2025. Such increase was mainly attributable to (i) prepaid third-party licence and service renewal fees in relation to electronic security solutions projects; (ii) an increase in other receivables, mainly representing from providing ancillary support to a third party for specified third-party system products; (iii) an increase in deferred issue costs incurred in connection with the **[REDACTED]**; and (iv) an increase in prepaid insurance premiums.

Our prepayments, deposits and other receivables further increased to approximately HK$17.9 million as at 31 March 2026. Such increase was mainly attributable to additional prepaid OEM licence and service renewal fees and deferred issue costs incurred during 3M2026, partially offset by the decrease in other receivables and deposits. As at 30 June 2026, approximately HK$4.3 million or 24.4% of our prepayments, deposits and other receivables as at 31 March 2026 had been subsequently utilised.

Amounts due from shareholders

During the Track Record Period, our amounts due from shareholders primarily represented advances provided to our Controlling Shareholders, Mr. Fong and Well Smart, for non-trade nature purposes. As at 31 December 2024, 2025 and 31 March 2026, our balances of the amount due from shareholders were approximately HK$11.8 million, HK$12.8 million and HK$10.8 million, respectively. The amount is unsecured, interest-free and have no fixed terms of repayment. Our amounts due from shareholders increased slightly from approximately HK$11.8 million as at 31 December 2024 to approximately HK$12.8 million as at 31 December 2025. Such increase was mainly due to further non-trade advances to our shareholders during FY2025, partially offset by settlements and dividends declared and set off against the outstanding balances. Our amounts due from shareholders decreased to approximately HK$10.8 million as at 31 March 2026, mainly due to dividends declared and set off against the outstanding balances during 3M2026.

The outstanding amounts due from shareholders will be fully settled before the **[REDACTED]**. Our Directors confirm that our Group will not provide further non-trade advances to shareholders after **[REDACTED]** unless in compliance with the applicable GEM Listing Rules.

Loan to a related company

In FY2024, our loan to a related company represented a non-trade loan to Arrano Capital Limited, a company owned as to 50% by Mr. Fong and 50% by Ms. Lam. The loan was unsecured, interest-bearing at 1% below HKD prime rate per annum and repayable under an agreed repayment schedule. As at 31 December 2024, the outstanding balance of the loan was approximately HK$6.1 million. The loan was fully settled during FY2025 by dividend set-off and there was no outstanding balance as at 31 December 2025.

Our Directors confirm that, after **[REDACTED]**, our Group will not provide further non-trade loans or advances to related companies unless in compliance with the applicable GEM Listing Rules.

Trade payables, other payables, and accruals

During the Track Record Period, our trade payables, other payables and accruals primarily represented trade payables to our subcontractor and suppliers of materials and services, staff costs payable, other payables and accruals.

The following table sets out the breakdown of our trade payables, other payables and accruals as at the dates indicated:

	As at 31 December		As at 31 March
	2024	2025	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Trade payables	20,515	21,144	6,642
Other payables	1,039	1,484	1,274
Accruals	1,684	5,595	3,507
Accrued **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Accrued issue costs	132	722	783
Staff costs payable	8,431	7,954	7,106
	32,198	39,066	21,661

As at 31 December 2024 and 2025 and 31 March 2026, our trade payables, other payables and accruals amounted to approximately HK$32.2 million, HK$39.1 million and HK$21.7 million, respectively.

Our trade payables, other payables and accruals increased by approximately HK$6.9 million, from approximately HK$32.2 million as at 31 December 2024 to approximately HK$39.1 million as at 31 December 2025. Such increase was mainly attributable to the increase in accruals for professional fees and other accrued expenses, and the increase in staff costs payable. Our trade payables remained broadly stable as the settlement of historical amounts payable to Subcontractor A was offset by trade payables arising from the CCTV Contract and other project-related subcontracting services during FY2025.

Our trade payables, other payables and accruals decreased to approximately HK$21.7 million as at 31 March 2026. Such decrease was mainly attributable to the settlement of outstanding trade payables and accruals after year end, including amounts payable to Subcontractor A and other project-related suppliers and subcontractors.

A substantial portion of our trade payables aged over 90 days as at 31 December 2024 and 2025 related to historical amounts payable to Subcontractor A under the service agreement in respect of the Three-runway Contract and another security services project at the Three-runway Project site. As at 30 April 2025, being the date of the settlement deeds entered into between our Group and Subcontractor A, the aggregate outstanding amount payable to Subcontractor A was approximately HK$15.0 million. Such amount represented subcontracting service fees incurred in the ordinary course of our operations under the Three-runway Contract and another security

services project at the Three-runaway Project Site and was not subject to any dispute, set-off, waiver or compromise.

The outstanding amount arose primarily because our Group retained working capital to support its ongoing operations and new projects during its growth stage. In connection with the novation arrangement relating to the Three-runway Contract completed on 30 April 2025 and to formalise the repayment timetable for the historical outstanding amount, our Group and Subcontractor A entered into the settlement deeds on 30 April 2025. Pursuant to the settlement deeds, the outstanding amount was payable by instalments according to the payment schedule set out therein. As at the Latest Practicable Date, the outstanding amount under the settlement deeds had been fully settled.

As at 31 March 2026, the trade payables due to Subcontractor A amounted to approximately HK$4.4 million. As at 30 June 2026, approximately HK$3.5 million or 80.0% of such balance had been subsequently settled.

Ageing analysis and subsequent settlement

The following tables set out the ageing analysis of our trade payables based on invoice dates as at the dates indicated and our average trade payables turnover days for the periods indicated:

	As at 31 December		As at 31 March
	2024	**2025**	**2026**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Less than 30 days	1,597	1,976	303
31–60 days	1,137	2,975	315
61–90 days	53	293	346
Over 90 days	17,728	15,900	5,678
	20,515	21,144	6,642

	FY2024	**FY2025**	**3M2026**
Average trade payables turnover days *(Note)*	407.7 days	256.8 days	625.2 days

Note: Average trade payables turnover days are calculated by dividing the average balances of trade payables by the cost of services exclude direct labour costs, amortisation of contract costs and depreciation for the year/period and multiplying the result by the number of days in the year (365 days) or period (90 days). The average balance of trade payables is calculated as the sum of the opening and the closing balances for the relevant period, divided by two.

Our average trade payables turnover days decreased from approximately 407.7 days for FY2024 to approximately 256.8 days for FY2025. The relatively high turnover days for FY2024 were primarily attributable to the historical outstanding amounts payable to Subcontractor A under the service agreement in respect of the Three-runway Contract. The decrease in FY2025

was mainly attributable to the increase in our adjusted cost base as a result of our enlarged project portfolio and the partial settlement of historical trade payables during FY2025.

Our average trade payables turnover days further increased to approximately 625.2 days for 3M2026. Such increase was mainly due to the relatively high opening balance of trade payables as at 1 January 2026 and the lower adjusted cost base during 3M2026. Notwithstanding the increase in average trade payables turnover days, our trade payables decreased from approximately HK$21.1 million as at 31 December 2025 to approximately HK$6.6 million as at 31 March 2026, mainly due to the settlement of outstanding trade payables after year end, including amounts payable to Subcontractor A and other project-related suppliers and subcontractors.

As at 30 June 2026, all of our trade payables as at 31 March 2026, were settled.

Income tax payable

During the Track Record Period, our income tax payable primarily represented income tax liabilities accrued based on our taxable profits for the relevant periods. As at 31 December 2024 and 2025 and 31 March 2026, our balances of income tax payable were approximately HK$4.0 million, HK$2.5 million and HK$2.2 million, respectively. The balance decreased during the Track Record Period was primarily due to payment of tax.

INDEBTEDNESS

The following table sets out the breakdown of our indebtedness as at the dates indicated:

	As at 31 December		As at 31 March	As at 31 May
	2024	2025	2026	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* (unaudited)
Current				
Bank borrowings	6,052	4,493	8,269	7,174
Lease liabilities	881	813	582	423
Non-current				
Lease liabilities	775	4	–	–
	7,708	5,310	8,851	7,597

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants. Except as disclosed herein, we did not have any other banking facilities (utilised or unutilised), outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar

indebtedness, debentures, mortgages, charges, loans, or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date.

Our Directors confirm that there has been no material change in the Group's indebtedness since the Latest Practicable Date up to the date of this document.

Bank borrowings

The following table sets out our bank borrowing as at the dates indicated:

	As at 31 December		As at 31 March	As at 31 May
	2024	2025	2026	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* (unaudited)
The carrying amounts of borrowings that contains a repayment on demand clause (shown under current liabilities) but repayable:				
Within one year	1,558	1,629	5,823	5,008
Within a period of more than one year but not exceeding two years	1,626	1,695	1,712	1,724
Within a period of more than two years but not exceeding five years	2,868	1,169	734	442
	6,052	4,493	8,269	7,174

During the Track Record Period, our bank borrowings and banking facilities were supported by personal guarantees, corporate guarantees, cash deposit security and/or guarantee under the SME Financing Guarantee Scheme. For further details of our bank borrowings during the Track Record Period, please refer to note 26 to the Accountants' Report in Appendix I to this document.

As at 31 May 2026, our Group had total banking facilities of up to HK$19.0 million, comprising (i) a term loan facility of up to HK$8.0 million under the SME Financing Guarantee Scheme for general working capital and business operation purposes; (ii) tax loan facilities of up to HK$5.0 million in aggregate for tax payment purposes; and (iii) a letter of guarantee facility of up to HK$6.0 million, including the HK$5.0 million security bond issued in respect of the Three-runway Contract.

The term loan facility was interest-bearing at Prime Rate minus 1% per annum and was guaranteed by HKMC Insurance Limited and personal guarantees provided by Mr. Fong and Ms. Lam. The tax loan facilities were supported by personal guarantees provided by Mr. Fong, Mr. Wong and Ms. Lam and corporate guarantees provided by members of our Group. The letter of guarantee facility was supported by cash deposit security, personal guarantees and corporate guarantee provided by members of our Group, and did not represent a cash borrowing unless the guarantee was called upon.

Our Directors confirm that the relevant bank borrowings will be fully repaid before **[REDACTED]** and the relevant personal guarantees will be released accordingly before **[REDACTED]**. During the Track Record Period and up to the Latest Practicable Date, our Group had not defaulted in the repayment of principal or interest of its bank borrowings and had not breached any material covenants under its banking facilities.

Lease liabilities

Our current and non-current lease liabilities represent the present value of lease payments that have not yet been paid under our lease agreements, which amounted to approximately HK$1.7 million, approximately HK$0.8 million, approximately HK$0.6 million and approximately HK$0.4 million as at 31 December 2024, 31 December 2025, 31 March 2026 and 31 May 2026, respectively.

Contingent liabilities or guarantees

As at 31 March 2026 and 31 May 2026, performance guarantees of HK$5,000,000 were given by a bank in favour of a customer of the Group as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customer.

Except as disclosed in the document, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, debentures, mortgages, charges, other recognised lease liabilities, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities as of the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations mainly through a combination of equity capital, bank borrowing and cash generated from our operations. Our primary liquidity requirements are to finance our working capital needs and support the growth of our operations. Going forward, we expect cash flow from operations to continue to be our principal source of liquidity and we may use a portion of the **[REDACTED]** from the **[REDACTED]** to finance some of our capital requirements.

The following table summarises our selected combined cash flow items for the periods indicated:

	FY2024	**FY2025**	**3M2025**	**3M2026**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating cash flows before working capital changes	27,719	30,940	8,484	5,597
Changes in working capital	(17,016)	(5,190)	7,881	(121)
Income tax paid	(6,280)	(6,747)	(711)	(1,052)
Net cash generated from operating activities	4,423	19,003	15,654	4,424
Net cash used in investing activities	(12,226)	(2,058)	(1,891)	(5,298)
Net cash used in financing activities	(1,940)	(4,212)	(1,417)	(732)
Net (decrease) increase in cash and cash equivalents	(9,743)	12,733	12,346	(1,606)
Cash and cash equivalents at beginning of the year/period	10,381	638	638	13,371
Cash and cash equivalents at end of the year/period	638	13,371	12,984	11,765

Cash flows generated from operating activities

During the Track Record Period, our cash inflows from operating activities were primarily derived from revenue generated from the provision of security guarding services and electronic security solution in Hong Kong, whereas our cash outflows for operating activities mainly consisted of direct labour costs, subcontracting fees, equipment purchase costs and other working capital requirements.

Our net cash generated from operating activities reflected our (a) profit before income tax, adjusted for certain non-cash or non-operating activities related items, such as amortisation of intangible assets, depreciation of plant and equipment, bank interest income and finance costs, and (b) changes in working capital, including movements in trade receivables, prepayments, deposits and other receivables, trade payables, other payables and accruals.

For FY2024, our net cash generated from operating activities was approximately HK$4.4 million. This was primarily attributable to: (a) a profit before tax of approximately HK$21.9 million, adjusted for certain non-cash and non-operating items, including (i) amortisation of

intangible assets of approximately HK$4.3 million, (ii) depreciation of plant and equipment of approximately HK$0.4 million, (iii) finance costs of approximately HK$0.3 million, (iv) loan interest income of approximately HK$0.3 million, and (v) impairment losses of approximately HK$1.0 million; (b) changes in working capital, which included (i) an increase in trade receivables of approximately HK$13.8 million given the delayed payment by a customer which has subsequently been duly paid, (ii) an increase in contract assets of approximately HK$5.2 million, (iii) an increase in prepayments, deposits and other receivables of approximately HK$1.1 million, and (iv) an increase in trade payables and accruals of approximately HK$3.1 million attributable to accrued **[REDACTED]** expenses and auditors' remuneration; and (c) income tax paid of approximately HK$6.3 million.

Our Group continued to obtain new projects through ordinary commercial channels (i.e. open tender and quotation). In particular, our Group's tender success rate (calculated based on the number of tenders) improved from approximately 12.5% in FY2024 to approximately 55.6% in FY2025 and further to 60.0% in 3M2026. Our Group's backlog also increased to 28 projects as at the Latest Practicable Date, with expected revenue to be recognised of approximately HK$220 million.

For FY2025, our net cash generated from operating activities was approximately HK$19.0 million. This was primarily attributable to: (a) a profit before tax of approximately HK$27.8 million, adjusted for certain non-cash and non-operating items, including (i) amortisation of intangible assets of approximately HK$1.8 million, (ii) depreciation of right-of-use of assets of approximately HK$0.9 million; and (iii) finance costs of approximately HK$0.3 million; (b) changes in working capital, which included (i) an increase in prepayments, deposits and other receivables of approximately HK$12.7 million, (ii) a decrease in contract assets of approximately HK$11.7 million, (iii) an increase in trade receivables of approximately HK$10.3 million, and (iv) an increase in trade payables and accruals of approximately HK$6.1 million; and (c) income tax paid of approximately HK$6.7 million.

For 3M2026, our net cash generated from operating activities was approximately HK$4.4 million. This was primarily attributable to: (a) a profit before tax of approximately HK$5.0 million, adjusted for certain non-cash and non-operating items, including (i) amortisation of intangible assets of approximately HK$0.3 million; and (ii) depreciation of right-of-use assets of approximately HK$0.2 million; (b) changes in working capital, which included (i) an increase in prepayments, deposits and other receivables of approximately HK$1.1 million, (ii) a decrease in contract assets of approximately HK$4.7 million, (iii) a decrease in trade receivables of approximately HK$13.5 million, and (iv) a decrease in trade payables and accruals of approximately HK$17.5 million; and (c) income tax paid of approximately HK$1.1 million.

Cash flows used in investing activities

For FY2024, we had net cash used in investing activities of approximately HK$12.2 million, which was mainly the combined effect of the following: (i) purchases of plant and equipment of approximately HK$3.3 million; (ii) loans advanced to a related company of approximately HK$8.9 million; (iii) repayment received from a related company of approximately HK$9.9 million; (iv) advances to shareholders of approximately HK$23.5 million; and (v) repayment received from shareholders of approximately HK$13.1 million.

During the preparations for the **[REDACTED]**, the Group reviewed and further formalised its treasury and working capital management framework. Certain cash outflows during FY2024, including (i) purchases of plant and equipment; (ii) loans advanced to a related company; and (iii) advances to shareholders, were made under such historical treasury practice. During the Track Record Period, these non-core capital expenditure, shareholder advances and related party funding arrangements have ceased: (a) the yacht purchased at the amount of approximately HK$3.3 million for the potential business development and networking purposes as well as internal team building and occasional rental to related parties to improve asset utilisation when the yacht was not required for business development was disposed of at the same cost in FY2025; (b) the amounts due from shareholders of approximately HK$10.8 million as at 31 March 2026 represented historical advances under our Group's previous treasury practice and will be fully settled before **[REDACTED]**; and (c) the loan to a related company of approximately HK$6.1 million as at 31 December 2024 was fully repaid by dividend offset in FY2025.

For FY2025, we had net cash used in investing activities of approximately HK$2.1 million, which was mainly the combined effect of: advances to shareholders of HK$3.1 million and repayment from shareholders of approximately HK$0.9 million.

For 3M2026, we had net cash used in investing activities of approximately HK$5.3 million, primarily attributable to purchases of plant and equipment of approximately HK$0.3 million and placement of pledged bank deposit of HK$5.0 million.

Cash flows used in financing activities

For FY2024, we had net cash used in financing activities of approximately HK$1.9 million, which was mainly the combined effect of the following: (i) repayment of bank borrowings of approximately HK$1.5 million; (ii) repayment of principal of lease liabilities of approximately HK$0.1 million; and (iii) payment of interest of bank borrowings of approximately HK$0.3 million.

For FY2025, we had net cash used in financing activities of approximately HK$4.2 million, which was mainly the combined effect of the following: (i) repayment of bank borrowings of approximately HK$1.6 million; (ii) repayment of principal of lease liabilities of approximately HK$0.9 million; (iii) payment of interest of bank borrowings of approximately HK$0.2 million; and (iv) payment of issuance cost HK$1.5 million.

For 3M2026, we had net cash used in financing activities of approximately HK$0.7 million, which was mainly due to repayment of bank borrowings, dividend paid and payment of issuance cost, partially offset by a new bank borrowing.

NET CURRENT ASSETS

The following table sets out our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December		As at 31 March	As at 31 May
	2024	2025	2026	2026
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* (unaudited)
Current assets				
Trade receivables	15,900	26,248	12,763	14,761
Contract assets	23,158	11,455	6,765	7,524
Prepayments, deposits and other receivables	1,685	16,038	17,467	18,278
Amounts due from shareholders	11,790	12,758	10,788	9,208
Loan to a related company	1,605	–	–	–
Pledged bank deposit	–	–	5,000	5,000
Bank balances and cash	638	13,371	11,765	7,927
Total current assets	54,776	79,870	64,548	62,698
Current liabilities				
Trade payables, other payables and accruals	32,198	39,066	21,661	18,490
Contract liabilities	–	–	243	–
Lease liabilities	881	813	582	422
Income tax payable	4,018	2,510	2,209	2,534
Bank borrowings	6,052	4,493	8,269	7,172
Total current liabilities	43,149	46,882	32,964	28,618
Net current assets	11,627	32,988	31,584	34,080

Our net current assets represent the difference between our total current assets and total current liabilities. Based on our unaudited consolidated financial information as of 31 May 2026, our net current assets increased to HK$34.1 million, representing an increase of HK$2.5 million or 7.9% from the amount of HK$31.6 million as of 31 March 2026. Such increase was primarily due to increase in trade receivables, prepayments, deposits and other receivables, decrease in trade payables, other payables and accruals.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into consideration our internal resources, cash generated from our operations, banking facility available to our Group as well as our existing cash and cash equivalents and the estimated net **[REDACTED]** from the **[REDACTED]**, our Group has sufficient working capital for our present requirements for at least 12 months from the date of this document.

WORKING CAPITAL MANAGEMENT

Our Group's working capital management policies and cash control procedures include: (i) rolling cash flow forecast and regular monitoring of cash balance, receivables and payables; (ii) assessment of contract size, payment cycle, manpower requirement, upfront costs and expected margin before tendering for or accepting new projects; (iii) approval controls over capital expenditure, donations, related party balances and fund transfers; and (iv) prohibition of advances or loans to shareholders, directors or related parties unless properly approved and compliant with applicable requirements.

Our internal control consultant has performed follow-up review on our Group's enhanced internal control measures, including treasury management, approval authority, donations, related party balances and cash management and did not identify any unresolved material internal control deficiency in this regard.

Our Directors consider that our Group's working capital is sufficient to support its ordinary business operations and the new/planned projects without relying on the **[REDACTED]** from the **[REDACTED]**, having considered the following:

(a) our Group's cash and bank balances improved from approximately HK$0.6 million as at 31 December 2024 to approximately HK$13.4 million as at 31 December 2025 and HK$11.8 million as at the 31 March 2026;

(b) our Group has obtained external banking facilities, including a HK$8.0 million working capital term loan, a HK$5.0 million tax loan facilities and HK$6.0 million letter of guarantee facility for performance guarantee purposes, including the HK$5.0 million security bond in respect of the Three-runway Contract;

(c) during the Track Record Period, our Group has been awarded new projects and the number of backlog projects has increased; and

(d) our Group has enhanced its project assessment and working capital controls before tendering for or accepting new projects, including assessment of expected margin, payment terms, manpower requirements, upfront costs, performance guarantee needs and cash flow impact.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for the purchases of plant and equipment, amounting to approximately HK$3.3 million, HK$0.2 million and HK$0.3 million, respectively.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangements.

CAPITAL COMMITMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any material capital commitments.

RELATED PARTY TRANSACTIONS AND BALANCES

1. Related party transactions

During the Track Record Period, our related party transactions mainly comprised loan interest income, service income and expenses, and yacht charter income.

(i) Loan interest income from Arrano Capital Limited

In FY2024 and FY2025, we recognised loan interest income of approximately HK$0.3 million and HK$0.1 million, respectively, from Arrano Capital Limited, a company owned as to 50% by Mr. Fong and 50% by Ms. Lam. Such income arose from a historical non-trade loan advanced to Arrano Capital Limited. The loan was fully settled by dividend offset during FY2025 and there was no outstanding balance as at 31 December 2025 and 31 March 2026. Our Directors confirm that, the Group will not provide further non-trade loans or advances to related companies unless in compliance with the applicable GEM Listing Rules.

(ii) Service income and expenses with related parties

In FY2024, we recorded management fee income of approximately HK$0.2 million from Perfect Nations Limited and security service revenue of approximately HK$27,000 from Great Hint Limited. During the same year, we incurred expenses of approximately HK$1.3 million in aggregate to Perfect Nations Limited and Great Hint Limited, mainly comprising shuttle bus service expenses, consultancy service expenses and costs of operations equipment. These transactions were entered into in the ordinary course of business or for business support purposes, and the relevant amounts were not material to our Group's revenue or expenses. Such transactions had ceased and there were no such transactions in FY2025 and 3M2026.

(iii) Yacht charter income from related parties

In FY2024, we generated yacht charter income of approximately HK$13,000 from Mr. Wong, approximately HK$27,000 from Great Hint Limited and approximately HK$17,000 from

Globalpass International Holdings Limited, representing an aggregate amount of approximately HK$57,000. The yacht was originally acquired with an expectation that it may be used for business development and networking purposes. During the Track Record Period, its actual use for such purposes was relatively limited. When the yacht was not required for business development, the Group used it for internal team building and occasional rental to related parties to improve asset utilisation. The yacht was disposed of during FY2025.

2. Balances with related parties

During the Track Record Period, our balances with related parties mainly comprised (i) other receivables from and trade payables to related parties arising from the related party transactions disclosed above; (ii) amounts due from shareholders; (iii) loan to a related company; and (iv) amount due from a joint operator.

As at 31 December 2024, we had other receivables from related parties of approximately HK$132,000, comprising approximately HK$75,000 due from Perfect Nations Limited, approximately HK$13,000 due from Mr. Wong, approximately HK$27,000 due from Great Hint Limited and approximately HK$17,000 due from Globalpass International Holdings Limited. As at 31 December 2024, we also had trade payables to related parties of approximately HK$396,000, comprising approximately HK$240,000 due to Perfect Nations Limited and approximately HK$156,000 due to Great Hint Limited. All such balances had been fully settled during FY2025, and there were no outstanding balances with such related parties as at 31 December 2025 and 31 March 2026. For details, please refer to note 31(b) to the accountants' report in this document.

Our amounts due from shareholders were non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 March 2026, our amounts due from shareholders amounted to approximately HK$10.8 million, comprising approximately HK$6.0 million due from Well Smart and approximately HK$4.8 million due from Mr. Fong. Such balances will be fully settled before **[REDACTED]**. For details, please refer to note 21 to the accountants' report in this document.

Our loan to a related company represented a non-trade loan to Arrano Capital Limited, a company owned as to 50% by Mr. Fong and 50% by Ms. Lam. Such loan was unsecured, interest-bearing and repayable in accordance with the agreed repayment terms. The loan had been fully settled as at 31 December 2025. For details, please refer to note 22 to the accountants' report in this document.

Our amount due from a joint operator was non-trade in nature. As at 31 December 2024, the balance of amount due from a joint operator was nil. For details, please refer to note 20 to the accountants' report in this document.

3. Guarantees and financial assistance provided to our Group

During the Track Record Period, certain of our bank borrowings and banking facilities were supported by personal guarantees provided by Mr. Fong, Ms. Lam and/or Mr. Wong, corporate guarantees provided by members of our Group. Such banking facilities included a term loan facility of up to HK$8.0 million, tax loan facilities of up to HK$5.0 million in aggregate, and a letter of guarantee facility of up to HK$6.0 million for performance guarantee purposes,

including the issuance of the HK$5.0 million security bond in respect of the Three-runway Contract. The relevant bank borrowings will be fully repaid before **[REDACTED]** and the relevant personal guarantees will be released accordingly before **[REDACTED]**.

Separately, Mr. Fong and Mr. Wong provided personal guarantee and indemnity in connection with the Entitlement Deed and the Parent Company Guarantee relating to the Three-runway Contract. Such arrangements related to historical arrangements in respect of the Three-runway Contract prior to the novation completed on 30 April 2025, had not been enforced during the Track Record Period and up to the Latest Practicable Date, and are not required for the Group's ongoing performance under the Three-runway Contract following the novation.

KEY FINANCIAL RATIOS

The following tables set out our key financial ratios for the periods and as at the dates indicated:

		Year ended 31 December		Three months ended 31 March	
	Notes	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
Gross profit margin *(%)*	(1)	26.4	25.7	25.4	25.1
Net profit margin *(%)*	(2)	12.6	12.0	11.9	13.3
Return on equity *(%)*	(3)	75.7	63.4	N/A	N/A
Return on assets *(%)*	(4)	26.0	27.4	N/A	N/A
Interest coverage *(times)*	(5)	83.0	111.7	107.4	71.8

		As at 31 December		As at 31 March
	Notes	**2024**	**2025**	**2026**
Current ratio *(times)*	(6)	1.3	1.7	2.0
Quick ratio *(times)*	(7)	1.3	1.7	2.0
Gearing ratio *(%)*	(8)	26.3	12.6	24.4

Notes:

(1) Gross profit margin is calculated by dividing gross profit of the relevant year/period by revenue for the relevant year/period and multiplying by 100%. For further details, please refer to paragraph headed "Description of selected items from the combined statements of profit or loss and other comprehensive income" above in this section.

(2) Net profit margin is calculated by dividing profit for the relevant year/period by revenue for the relevant year/period and multiplying by 100%. For further details, please refer to paragraph headed "Description of selected items from the combined statements of profit or loss and other comprehensive income" above in this section.

(3) Return on equity is calculated by dividing profit attributable to owners of the Company for the relevant year/period by total equity attributable to owners of the Company as at the end of the relevant year/period and multiplying by 100%. During the three months ended 31 March 2025 and 2026, the calculation of such return is not applicable since the calculation is on a full-year basis.

(4) Return on total assets is calculated by dividing profit for the relevant year/period by total assets as at the end of the relevant year/period and multiplying by 100%. During the three months ended 31 March 2025 and 2026, the calculation of such return is not applicable since the calculation is on a full-year basis.

(5) Interest coverage equals profit before interest, tax, depreciation, amortisation, and impairment losses under expected credit loss ("**ECL**") model divided by interest expenses for the relevant year/period.

(6) Current ratio is calculated by dividing total current assets by total current liabilities as at the dates indicated.

(7) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the dates indicated.

(8) Gearing ratio is calculated by dividing total bank borrowings by total equity as at the dates indicated and multiplying by 100%.

Current ratio and quick ratio

Our current ratio increased from approximately 1.3 times as at 31 December 2024 to approximately 1.7 times as at 31 December 2025, mainly due to the increase in cash and cash equivalents and trade receivables as at 31 December 2025. Our current ratio further increased to approximately 2.0 times as at 31 March 2026, mainly due to the settlement of trade payables, other payables and accruals after year end, partially offset by decrease in trade receivables. As our Group did not have any inventories during the Track Record Period, our quick ratio was the same as our current ratio.

Return on equity

Our return on equity decreased from approximately 75.7% for FY2024 to approximately 63.4% for FY2025, mainly because the increase in our total equity attributable to owners of the Company outweighed the increase in profit attributable to owners of the Company during FY2025.

Return on total assets

Our return on total assets increased from approximately 26.0% for FY2024 to approximately 27.4% for FY2025, mainly because the increase in profit for the year outpaced the increase in total assets as our business expanded.

Interest coverage

Our interest coverage increased from approximately 83.0 times for FY2024 to approximately 111.7 times for FY2025, mainly due to the increase in profit before taxation and the decrease in finance costs during FY2025. Our interest coverage decreased from approximately 107.4 times for 3M2025 to approximately 71.8 times for 3M2026, mainly due to the decrease in profit before taxation during 3M2026.

Gearing ratio

Our gearing ratio decreased from approximately 26.3% as at 31 December 2024 to approximately 12.6% as at 31 December 2025, mainly due to the decrease in bank borrowings and the increase in total equity. Our gearing ratio increased to approximately 24.4% as at 31 March 2026, mainly due to the drawdown of new bank borrowings during 3M2026, partially offset by the increase in total equity.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As at the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. Please refer to note 29 to the Accountants' Report in Appendix I to this document for more information.

DIVIDENDS

During the Track Record Period, Arrano Group declared dividends of HK$15.0 million, HK$10.0 million and HK$6.0 million in respect of the years ended 31 December 2023, 2024 and 2025, respectively. As at the Latest Practicable Date, all dividends declared had been fully settled. We have established a dividend policy that considers various factors, including our actual and expected financial performance, retained earnings, distributable reserves, general economic conditions and the business cycle of our core business. No dividend has been declared or paid by the Company subsequent to 31 March 2026 and up to the Latest Practicable Date, and our Directors currently have no intention to declare or pay any dividend prior to the **[REDACTED]**. Accordingly, no adjustment has been made to the adjusted pro forma net tangible assets of our Group in this respect. Our Directors will continue to review the dividend policy and reserve the right in their sole and absolute discretion to update, modify or cancel the policy at any time. It is important to note that our historical dividend distribution record should not be used as a reference or basis for determining the level of dividends that may be declared or paid in the future.

We do not have any fixed or pre-determined dividend payout ratio. The recommendation and payment of dividends are subject to the absolute discretion of our Board, and any declaration of final dividends for a financial year will also be subject to the approval of our Shareholders. Any declaration, payment and the amount of the dividends will be subject to our constitutional documents and the Companies Act.

Any distributable profits not distributed in a given year will be retained and made available for distribution in subsequent years. However, to the extent that profits are distributed as dividends, those profits will no longer be available for reinvestment in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of 31 March 2026.

[REDACTED] EXPENSES

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** range) and that the **[REDACTED]** is not exercised, the total estimated **[REDACTED]** expenses in relation to the **[REDACTED]** (including **[REDACTED]** commission), which are payable by us are estimated to be approximately HK$**[REDACTED]**, representing approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**. Of such amount, approximately HK$**[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]** were charged to profit or loss for FY2024, FY2025 and 3M2026, respectively, approximately HK$**[REDACTED]** is expected to be charged to profit or loss for FY2026, and approximately HK$**[REDACTED]** is expected to be accounted for as a deduction from equity upon **[REDACTED]**.

Our estimated **[REDACTED]** expenses mainly comprise (i) **[REDACTED]**-related expenses of approximately HK$**[REDACTED]**; and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]**, comprising (a) fees and expenses of the Sole Sponsor, legal advisers and accountants of approximately HK$**[REDACTED]**; and (b) other fees and expenses of approximately HK$**[REDACTED]**.

Our Directors would like to emphasise that the amount of the **[REDACTED]** expenses stated above is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2026 is subject to adjustment based on audit and possible changes in variables and assumptions.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF OUR GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

For details, please refer to Appendix II to this document.

MATERIAL ADVERSE CHANGE

For details of the impact of recent developments on our business, operations and financial position, please refer to the paragraph headed "Summary – Recent developments and no material adverse change" in this document.

Save as disclosed in the paragraph headed "**[REDACTED]** expenses" above in this section, our Directors confirm that, up to the date of this document, there has been no material adverse change to our financial, operational and/or trading position since 31 March 2026, being the date to which our most recent audited combined financial statements were prepared, and there has been no event since 31 March 2026 and up to the date of this document that would materially affect the information shown in our audited combined financial information included in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to any disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.