

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[52], received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ARRANO INTERNATIONAL HOLDINGS LIMITED AND INNOVAX CAPITAL LIMITED

Introduction

We report on the historical financial information of Arrano International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[4] to I-[52], which comprises the combined statements of financial position of the Group as at 31 December 2024, 2025 and 31 March 2026, the statements of financial position of the Company as at 31 December 2025 and 31 March 2026, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the two years ended 31 December 2025 and the three months ended 31 March 2026 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-[52] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

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

Reporting Accountants’ responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at 31 December 2024 and 2025 and 31 March 2026, of the Company’s financial position as at 31 December 2025 and 31 March 2026 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the three months ended 31 March 2025 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared and paid by the Company’s subsidiaries in respect of the Track Record Period and states that no dividend was declared and paid by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[Date]

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with HKFRS Accounting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

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

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COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Three months ended 31 March	
		2024	2025	2025	2026
	NOTES	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	6	138,663	187,708	48,655	31,918
Cost of services		<u>(101,988)</u>	<u>(139,536)</u>	<u>(36,280)</u>	<u>(23,904)</u>
Gross profit		36,675	48,172	12,375	8,014
Other income	7	575	492	159	264
Other expense		(2,300)	(260)	(260)	–
Impairment losses under expected credit loss (“ECL”) model, net		(1,000)	–	–	–
Administrative and selling expenses		(11,336)	(14,171)	(2,361)	(2,685)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	8	<u>(334)</u>	<u>(277)</u>	<u>(79)</u>	<u>(78)</u>
Profit before taxation		21,883	27,806	7,394	5,005
Income tax expense	9	<u>(4,478)</u>	<u>(5,239)</u>	<u>(1,582)</u>	<u>(751)</u>
Profit and total comprehensive income for the year/period	10	<u>17,405</u>	<u>22,567</u>	<u>5,812</u>	<u>4,254</u>

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COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		At
		2024	2025	31 March
	NOTES	HK\$'000	HK\$'000	2026
				HK\$'000
NON-CURRENT ASSETS				
Plant and equipment	14	3,148	215	495
Right-of-use assets	15	1,651	798	565
Intangible assets	16	2,858	1,053	790
Loan to a related company	22	4,494	–	–
Prepayments	19	–	520	390
		<u>12,151</u>	<u>2,586</u>	<u>2,240</u>
CURRENT ASSETS				
Trade receivables	17	15,900	26,248	12,763
Contract assets	18	23,158	11,455	6,765
Prepayments, deposits and other receivables	19	1,685	16,038	17,467
Amounts due from shareholders	21	11,790	12,758	10,788
Loan to a related company	22	1,605	–	–
Pledged bank deposit	23	–	–	5,000
Bank balances and cash	23	638	13,371	11,765
		<u>54,776</u>	<u>79,870</u>	<u>64,548</u>
CURRENT LIABILITIES				
Trade payables, other payables and accruals	24	32,198	39,066	21,661
Contract liabilities		–	–	243
Lease liabilities	25	881	813	582
Income tax payable		4,018	2,510	2,209
Bank borrowings	26	6,052	4,493	8,269
		<u>43,149</u>	<u>46,882</u>	<u>32,964</u>
NET CURRENT ASSETS		<u>11,627</u>	<u>32,988</u>	<u>31,584</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,778</u>	<u>35,574</u>	<u>33,824</u>
NON-CURRENT LIABILITY				
Lease liabilities	25	775	4	–
NET ASSETS		<u>23,003</u>	<u>35,570</u>	<u>33,824</u>

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		At 31 December		At
		2024	2025	31 March
	NOTES	HK\$'000	HK\$'000	2026
				HK\$'000
CAPITAL AND RESERVE				
Share capital	27	—*	—*	—*
Retained profits		23,003	35,570	33,824
TOTAL EQUITY		<u>23,003</u>	<u>35,570</u>	<u>33,824</u>

* Amount less than HK\$500.

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December 2025 <i>HK\$'000</i>	At 31 March 2026 <i>HK\$'000</i>
	<i>NOTES</i>		
NON-CURRENT ASSET			
Investment in a subsidiary	33	—*	—*
CURRENT ASSET			
Prepayments and deferred issue costs	19	2,182	2,577
CURRENT LIABILITIES			
Amount due to a subsidiary	24	5,840	6,502
Accruals	24	<u>2,889</u>	<u>3,132</u>
		<u>8,729</u>	<u>9,634</u>
NET CURRENT LIABILITIES AND NET LIABILITIES		<u>(6,547)</u>	<u>(7,057)</u>
CAPITAL AND RESERVE			
Share capital	27	—*	—*
Accumulated losses	36	<u>(6,547)</u>	<u>(7,057)</u>
TOTAL EQUITY		<u>(6,547)</u>	<u>(7,057)</u>

* Amount less than HK\$500.

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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024	—*	20,598	20,598
Profit and total comprehensive income for the year	—	17,405	17,405
Dividend declared	—	(15,000)	(15,000)
At 31 December 2024	—	23,003	23,003
Profit and total comprehensive income for the year	—	22,567	22,567
Dividend declared	—	(10,000)	(10,000)
At 31 December 2025	—	35,570	35,570
Profit and total comprehensive income for the period	—	4,254	4,254
Dividend declared	—	(6,000)	(6,000)
At 31 March 2026	—	33,824	33,824
For the three months ended 31 March 2025 (unaudited)			
At 1 January 2025 (audited)	—	23,003	23,003
Profit and total comprehensive income for the period (unaudited)	—	5,812	5,812
Dividend declared	—	(10,000)	(10,000)
At 31 March 2025 (unaudited)	—	18,815	18,815

* Amount less than HK\$500.

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COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
OPERATING ACTIVITIES				
Profit before taxation	21,883	27,806	7,394	5,005
Adjustments for:				
Amortisation of intangible assets	4,287	1,805	714	263
Depreciation of plant and equipment	378	186	127	32
Depreciation of right-of-use assets	138	930	233	233
Impairment losses under ECL model, net	1,000	–	–	–
Bank interest income	(4)	(1)	–	(14)
Loan interest income	(297)	(63)	(63)	–
Finance costs	334	277	79	78
Operating cash flows before movements in working capital	27,719	30,940	8,484	5,597
(Increase) decrease in trade receivables	(13,828)	(10,348)	(2,236)	13,485
(Increase) decrease in contract assets	(5,209)	11,703	10,220	4,690
Increase in prepayments, deposits and other receivables	(1,089)	(12,691)	(902)	(1,073)
Increase (decrease) in trade payables, other payables and accruals	3,110	6,146	799	(17,466)
Increase in contract liabilities	–	–	–	243
Net cash generated from operations	10,703	25,750	16,365	5,476
Income taxes paid	(6,280)	(6,747)	(711)	(1,052)
NET CASH FROM OPERATING ACTIVITIES	4,423	19,003	15,654	4,424

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	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
INVESTING ACTIVITIES				
Bank interest received	4	1	–	14
Loan interest received	367	63	63	–
Purchases of plant and equipment	(3,300)	(168)	–	(312)
Loans to a related company	(8,890)	–	–	–
Repayment from a related company	9,943	267	267	–
Advances to shareholders	(23,486)	(3,121)	(2,221)	–
Repayment from shareholders	13,136	900	–	–
Placement of pledged bank deposit	–	–	–	(5,000)
NET CASH USED IN INVESTING ACTIVITIES	(12,226)	(2,058)	(1,891)	(5,298)
FINANCING ACTIVITIES				
New bank borrowings	–	–	–	5,000
Repayment of bank borrowings	(1,473)	(1,559)	(384)	(1,224)
Dividend paid	–	–	–	(4,030)
Repayment of principal of lease liabilities	(133)	(916)	(224)	(235)
Interest paid on bank borrowings	(323)	(221)	(61)	(70)
Interest paid on lease liabilities	(11)	(56)	(18)	(8)
Payment of issue costs	–	(1,460)	(730)	(165)
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 represented by bank balances and cash	638	13,371	12,984	11,765

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 February 2025.

As at the date of this report, the Company is owned as to 50% by Fong 1119 Limited and 50% by HFTT Limited. Fong 1119 Limited was incorporated in the British Virgin Islands (“BVI”) and is owned as to 100% by Mr. Fong Chun Kit (“Mr. Fong”). HFTT Limited was incorporated in the BVI and is owned as to 100% by Well Smart Asia Investment Limited (“Well Smart”), which was incorporated in Hong Kong and is owned as to 100% by Ms. Lam Wing Yu (“Ms. Lam”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the document.

The Company acts as an investment holding company of the Group and its subsidiaries are principally engaged in provision of security services. The principal activities of the companies comprising the Group are set out in note 33.

No statutory financial statements of the Company have been prepared for the years ended 31 December 2024 and 2025 as it is incorporated in the jurisdiction when there are no statutory audit requirements.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with HKFRS Accounting Standards as issued by the HKICPA and the conventions applicable for group reorganisation as detailed below.

Before the completion of the reorganisation, Arrano Group Holdings Limited (“Arrano Group”), a limited company incorporated in Hong Kong that holds 100% equity interest of Arrano Security Company Limited, Arrano Cleaning Services Limited and Arrano Technology Management Limited, is owned by Mr. Fong and Well Smart amounting to 50% and 50% respectively. The Group has the right to share 100% of the revenue, expenses, assets and liabilities of a joint operation. Arrano Group, the forementioned subsidiaries and joint operation carried out the main operation of the Group.

In the preparation of the [REDACTED] of the Company’s shares on GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “[REDACTED]”), the companies comprising the Group underwent a group reorganisation (the “Reorganisation”) as described below.

- (i) On 6 February 2025, Fong 1119 Limited was incorporated in BVI with limited liability. Fong 1119 Limited is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of United States dollar (“US\$”) 1.00 each. On 6 February 2025, one share with a par value of US\$1.00 of Fong 1119 Limited was allotted and issued, fully paid, to Mr. Fong, and Fong 1119 Limited became wholly-owned by Mr. Fong.
- (ii) On 6 February 2025, HFTT Limited was incorporated in BVI with limited liability. HFTT Limited is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. On 6 February 2025, one share with a par value of US\$1.00 of HFTT Limited was allotted and issued, fully paid, to Well Smart, and HFTT Limited became wholly-owned by Well Smart.
- (iii) On 25 February 2025, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. On 25 February 2025, one subscriber share with a par value of HK\$0.01 was allotted and issued, fully paid, to [REDACTED], an independent third party, as the initial subscriber. On the same day, (i) the said one share was transferred to Fong 1119 Limited at par value of HK\$0.01, and (ii) one share with a par value of HK\$0.01 was allotted and issued, fully paid, to HFTT Limited. As a result, upon completion of the above transfer and allotment and issue of shares, as at the date of incorporation of the Company, the Company was owned as to 50% by Fong 1119 Limited and as to 50% by HFTT Limited.

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- (iv) On 10 March 2025, Aegiswing Limited was incorporated in BVI with limited liability. Aegiswing Limited is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. On the same day, one share of Aegiswing Limited with a par value of US\$1.00 was allotted and issued, fully paid, to the Company, and Aegiswing Limited became wholly-owned by the Company.
- (v) On [•] 2026, Mr. Fong and Well Smart, Aegiswing Limited, Fong 1119 Limited, HFTT Limited, the Company and Arrano Group entered into a reorganisation agreement. Pursuant to the reorganisation agreement, Aegiswing Limited acquired (i) one ordinary share in Arrano Group from Mr. Fong; and (ii) one ordinary share in Arrano Group from Well Smart, representing, in aggregate, the entire issued share capital of Arrano Group. In consideration of the acquisition, the Company allotted and issued 49 Shares and 49 Shares, fully paid, to Fong 1119 Limited and HFTT Limited, respectively.

Upon completion of the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group since [•] by interspersing the Company and Aegiswing Limited between Arrano Group and its then shareholders. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 December 2024 and 2025 and 31 March 2026 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the Group’s accounting period beginning on 1 January 2026 throughout the Track Record Period.

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ²

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of other amendments to HKFRS Accounting Standards will have no material impact on the Group’s financial position and financial performance in the foreseeable future.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

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

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HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in term of recognition and measurements. However, it is expected to affect the structure and presentation of the combined statement of profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRS Accounting Standards as issued by HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

Investment in a subsidiary

Investment in a subsidiary is included in the Company’s statement of financial position at cost less any identified impairment losses.

Interests in joint operations

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
- Its expenses, including its share of any expenses incurred jointly

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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.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to contracts with customers is provided in note 6.

Taxation

Income tax expense represents the current income tax expense.

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

Current tax is recognised in profit or loss.

Employee benefits

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

For Long Service Payment (“LSP”) obligation, the Group accounts for the employer Mandatory Provident Fund (“MPF”) contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of paragraph 19(a) of HKAS 19 “Employee Benefits” and it is measured on a net basis. The estimated amount of LSP obligation is determined after deducting the negative service cost arising from the accrued benefits (being projected and attributed to periods of service) derived from the Group’s MPF contributions that have been vested with employees and would be used to offset the employee’s LSP benefits, which are deemed to be contributions from the relevant employees.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Plant and equipment

Plant and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purpose. Plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

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.

Leases

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the combined statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the combined statements of financial position.

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Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from Contracts with Customers”. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets under HKFRS 9 “Financial Instruments” (“HKFRS 9”)

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables and deposits, amounts due from a joint operator/shareholders, loan to a related company, pledged bank deposit and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m 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. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the ability of the debtor to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group has rebutted the presumption that default has occurred when a financial asset is more than 90 days past due as the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event; or
- (c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

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(v) Measurement and recognition of ECL

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the companies now comprising the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a subsidiary and bank borrowings are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the obligation specified in the relevant contract is discharged, cancelled or has expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

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. The information about the ECL and the Group’s trade receivables is disclosed in note 29.

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December		Three months ended 31 March	
	2024 HK\$’000	2025 HK\$’000	2025 HK\$’000 (unaudited)	2026 HK\$’000
Security guarding services recognised over time	138,663	167,702	48,655	30,868
Electronic security solution services recognised at a point in time	–	20,006	–	1,050
	<u>138,663</u>	<u>187,708</u>	<u>48,655</u>	<u>31,918</u>

The Group’s revenue is all derived from Hong Kong.

(ii) Performance obligations for contracts with customers

Revenue from the provision of security guarding services is recognised over time because 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 is the direct measurement of the value of the services transferred to the customer from the Group’s performance.

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 in the amount to which the Group has a right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. All electronic security solution services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

When the Group receives a deposit before service is provided, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

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(iii) Segment information

During the year ended 31 December 2025, the Group started to provide electronic security solution services, which mainly involved CCTV-related design and installation works.

Information is reported to the chief executive officer, Mr. Fong, of the Group, who is also the chief operating decision maker (“CODM”) of the Group, for the purposes of resources allocation and assessment of performance. The CODM focuses on types of services provided. The Group’s reportable and operating segments are therefore as follows:

- (1) Security guarding services: security guarding and other services, including cleaning services
- (2) Electronic security solution services: CCTV-related design and installation works

	Security guarding services <i>HK\$’000</i>	Electronic security solution services <i>HK\$’000</i>	Total <i>HK\$’000</i>
For the year ended 2024			
Segment revenue	138,663	–	138,663
Segment results	<u>35,675</u>	<u>–</u>	<u>35,675</u>
Other income			575
Other expenses			(2,300)
Administrative and selling expenses			(11,336)
[REDACTED] expenses			[REDACTED]
Finance costs			<u>(334)</u>
Profit before taxation			<u><u>21,883</u></u>
	Security guarding services <i>HK\$’000</i>	Electronic security solution services <i>HK\$’000</i>	Total <i>HK\$’000</i>
For the year ended 2025			
Segment revenue	167,702	20,006	187,708
Segment results	<u>42,261</u>	<u>5,911</u>	<u>48,172</u>
Other income			492
Other expenses			(260)
Administrative and selling expenses			(14,171)
[REDACTED] expenses			[REDACTED]
Finance costs			<u>(277)</u>
Profit before taxation			<u><u>27,806</u></u>

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	Security guarding services HK\$’000	Electronic security solution services HK\$’000	Total HK\$’000
For the three months ended			
31 March 2025 (unaudited)			
Segment revenue	48,655	–	48,655
Segment results	12,375	–	12,375
Other income			159
Other expenses			(260)
Administrative and selling expenses			(2,361)
[REDACTED] expenses			[REDACTED]
Finance costs			(79)
Profit before taxation			7,394

	Security guarding services HK\$’000	Electronic security solution services HK\$’000	Total HK\$’000
For the three months ended			
31 March 2026			
Segment revenue	30,868	1,050	31,918
Segment results	7,641	373	8,014
Other income			264
Other expenses			–
Administrative and selling expenses			(2,685)
[REDACTED] expenses			[REDACTED]
Finance costs			(78)
Profit before taxation			5,005

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of other income, other expenses, administrative and selling expenses, [REDACTED] expenses, finance costs and taxation. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(iv) Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

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(v) Other segment information

For the year ended 31 December 2024

	Security guarding services <i>HK\$'000</i>	Electronic security solution services <i>HK\$'000</i>	Total reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:					
Amortisation of intangible assets	4,287	–	4,287	–	4,287
Depreciation	–	–	–	516	516
Impairment losses under ECL model, net	1,000	–	1,000	–	1,000

For the year ended 31 December 2025

	Security guarding services <i>HK\$'000</i>	Electronic security solution services <i>HK\$'000</i>	Total reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:					
Amortisation of intangible assets	1,805	–	1,805	–	1,805
Depreciation	–	20	20	1,096	1,116

For the three months ended 31 March 2025 (unaudited)

	Security guarding services <i>HK\$'000</i>	Electronic security solution services <i>HK\$'000</i>	Total reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:					
Amortisation of intangible assets	714	–	714	–	714
Depreciation	–	–	–	360	360

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For the three months ended 31 March 2026

	Security guarding services <i>HK\$’000</i>	Electronic security solution services <i>HK\$’000</i>	Total reportable segments <i>HK\$’000</i>	Unallocated <i>HK\$’000</i>	Total <i>HK\$’000</i>
Amounts included in the measure of segment profit or loss:					
Amortisation of intangible assets	263	–	263	–	263
Depreciation	10	9	19	246	265

Note: Amounts included additions to plant and equipment.

(vi) Geographical information

The Group’s operations are located in Hong Kong. All of the Group’s non-current assets are located in Hong Kong. Information about the Group’s revenue from external customers by geographical location of operation is set out in note 6(i) above.

(vii) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i> (unaudited)	<i>HK\$’000</i>
Customer A ¹	106,777	85,359	28,766	10,205
Customer B ¹ (<i>note</i>)	15,694	20,921	5,176	N/A
Customer C ¹ (<i>note</i>)	N/A	42,514	10,467	10,943
Customer D ² (<i>note</i>)	N/A	20,006	N/A	N/A

¹ Revenue derived from security guarding services

² Revenue derived from electronic security solution services

Note: Those marked with “N/A” indicate that the revenue derived for the relevant period/year did not contribute over 10% of the total revenue of the Group.

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7. OTHER INCOME

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
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
	<u>575</u>	<u>492</u>	<u>159</u>	<u>264</u>

8. FINANCE COSTS

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interest on bank borrowing	323	221	61	70
Interest on lease liabilities	11	56	18	8
	<u>334</u>	<u>277</u>	<u>79</u>	<u>78</u>

9. INCOME TAX EXPENSE

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Income tax				
– Current	4,478	5,692	1,582	751
– Over-provision in prior years	–	(453)	–	–
	<u>4,478</u>	<u>5,239</u>	<u>1,582</u>	<u>751</u>

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

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

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit before taxation	21,883	27,806	7,394	5,005
Tax at applicable tax rate of 16.5%	3,611	4,588	1,220	826
Income tax at concessionary rate	(165)	(165)	(165)	(165)
Tax effect on income not taxable for tax purpose	–	(21)	–	–
Tax effect of expenses not deductible for tax purposes	1,036	1,302	527	90
Tax reduction	(4)	(12)	–	–
Over-provision in prior years	–	(453)	–	–
	4,478	5,239	1,582	751

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit for the year/period has been arrived at after charging:				
Auditor’s remuneration	700	200	–	–
Staff costs (including the directors’ remuneration in note 11)				
– Salaries, allowances and other benefits	80,045	111,262	31,261	22,083
– Contributions to retirement benefits schemes	3,444	4,064	1,195	832
	83,489	115,326	32,456	22,915
Depreciation of plant and equipment	378	186	127	32
Depreciation of right-of-use assets	138	930	233	233
Amortisation of intangible assets	4,287	1,805	714	263
Total depreciation and amortisation	4,803	2,921	1,074	528
Donation (included in other expense)	2,300	260	260	–
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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11. DIRECTORS’ EMOLUMENTS AND EMOLUMENTS OF EMPLOYEES

Directors’ emoluments

The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors/supervisors of the Group prior to becoming the directors of the Company) during the Track Record Period disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance were as follows:

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefits schemes contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2024				
Executive directors				
Mr. Fong	–	1,142	18	1,160
Mr. Ip Yik Nam, J.P. (“Mr. Ip”)	420	–	–	420
Mr. Wong Chun Hung, Hanson (“Mr. Wong”)	–	–	–	–
Ms. Yip Nga Man (“Ms. Yip”)	–	816	18	834
Non-executive director				
Ms. Lam	–	–	–	–
	<u>420</u>	<u>1,958</u>	<u>36</u>	<u>2,414</u>

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefits schemes contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2025				
Executive directors				
Mr. Fong	–	2,849	18	2,867
Mr. Ip	540	–	–	540
Mr. Wong	–	–	–	–
Ms. Yip	–	997	18	1,015
Non-executive director				
Ms. Lam	–	–	–	–
	<u>540</u>	<u>3,846</u>	<u>36</u>	<u>4,422</u>

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	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefits schemes contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the three months ended 31 March 2025 (unaudited)				
Executive directors				
Mr. Fong	–	215	5	220
Mr. Ip	105	–	–	105
Mr. Wong	–	–	–	–
Ms. Yip	–	169	5	174
Non-executive director				
Ms. Lam	–	–	–	–
	<u>105</u>	<u>384</u>	<u>10</u>	<u>499</u>

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefits schemes contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the three months ended 31 March 2026				
Executive directors				
Mr. Fong	–	235	5	240
Mr. Ip	150	–	–	150
Mr. Wong	60	–	–	60
Ms. Yip	–	189	5	194
Non-executive director				
Ms. Lam	20	–	–	20
	<u>230</u>	<u>424</u>	<u>10</u>	<u>664</u>

On 25 February 2025, Mr. Fong, Mr. Ip, Mr. Wong and Ms. Yip were appointed as executive directors of the Company and Ms. Lam was appointed as non-executive director. Mr. Fong is also the chief executive officer of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive officer.

The emoluments stated above were for their services in connection with the management of the affairs and services as directors of the Group.

On [•], Mr. Yau How Boa, *G.B.S., M.H., J.P.*, Mr. Au Ka Wang, *S.B.S., I.D.S.M., J.P.* and Ms. Leung Yuen Shan Maisy were appointed as independent non-executive directors of the Company.

During the Track Record Period, no emoluments were paid by the Group to directors of the Company (including those who are employees/directors/supervisors of the Group prior to becoming the directors of the Company) as an inducement to join or upon joining the Group, or as compensation for loss of office.

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Emoluments of Employees

During the years ended 31 December 2024 and 2025 and the three months ended 31 March 2025 and 2026, of the five individuals with the highest emoluments of the Group, 2, 3, 2 (unaudited) and 3 of them were directors of the Company whose emoluments are included above. The emoluments of the remaining 3, 2, 3 (unaudited) and 2 individuals for the years ended 31 December 2024 and 2025 and the three months ended 31 March 2025 and 2026, respectively, are disclosed as follows:

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries and other benefits	1,814	1,539	397	398
Retirement benefits scheme contributions	47	36	14	9
	<u>1,861</u>	<u>1,575</u>	<u>411</u>	<u>407</u>
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
Their emoluments were within the following bands:				
Nil to HK\$1,000,000	3	1	3	2
HK\$1,000,001 to HK\$1,500,000	<u>–</u>	<u>1</u>	<u>–</u>	<u>–</u>

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

12. DIVIDENDS

During the year ended 31 December 2024, Arrano Group declared a dividend in respect of the year ended 31 December 2023 with aggregate amount of HK\$15,000,000 to its shareholders. During the year ended 31 December 2025 and three months ended 31 March 2025, Arrano Group declared a dividend in respect of the year ended 31 December 2024 with aggregate amount of HK\$10,000,000 to its shareholders. During the three months ended 31 March 2026, Arrano Group declared a dividend in respect of the year ended 31 December 2025 with aggregate amount of HK\$6,000,000 to its shareholders.

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

No dividends have been paid or declared by the Company since its incorporation.

13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful as the Reorganisation of the Group was not completed as of 31 March 2026 and the results of the Group during the Track Record Period is prepared on a combined basis.

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14. PLANT AND EQUIPMENT

	Motor vehicles <i>HK\$'000</i>	Yacht <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 January 2024	515	–	515
Additions	–	3,300	3,300
At 31 December 2024	515	3,300	3,815
Additions	168	–	168
Disposal and write-off	(250)	(3,300)	(3,550)
At 31 December 2025	433	–	433
Additions	312	–	312
At 31 March 2026	745	–	745
ACCUMULATED DEPRECIATION			
At 1 January 2024	289	–	289
Provided for the year	103	275	378
At 31 December 2024	392	275	667
Provided for the year	76	110	186
Disposal and write-off	(250)	(385)	(635)
At 31 December 2025	218	–	218
Provided for the period	32	–	32
At 31 March 2026	250	–	250
CARRYING VALUES			
At 31 December 2024	123	3,025	3,148
At 31 December 2025	215	–	215
At 31 March 2026	495	–	495

The above items of plant and equipment are depreciated so as to write off the cost of assets less their residual values over their useful lives, using the straight-line basis at the following rates per annum:

Motor vehicles	20%
Yacht	20%

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15. RIGHT-OF-USE ASSETS

	Leased properties <i>HK\$’000</i>			
At 31 December 2024				
Carrying amounts				1,651
At 31 December 2025				
Carrying amounts				798
At 31 March 2026				
Carrying amounts				565
	Year ended 31 December		Three months ended	
	2024	2025	31 March	
	<i>HK\$’000</i>	<i>HK\$’000</i>	2025	2026
			<i>HK\$’000</i>	<i>HK\$’000</i>
			(unaudited)	
Depreciation charge	138	930	233	233
Expense relating to short-term leases	2,547	2,200	638	400
Total cash outflow for leases	3,531	3,332	1,349	567
Additions to right-of-use assets	1,789	77	77	–

For the year ended 31 December 2024 and 2025 and the three months ended 31 March 2025 and 2026, the Group leases staff quarters for its employees. Lease contracts are entered into for fixed term of 2 years, but may have termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has termination options in a number of leases for 6, 7 and 7 as at 31 December 2024 and 2025 and 31 March 2026, respectively. These are used to maximise operational flexibility in terms of managing the assets used in the Group’s operations.

The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination options. There is no potential future lease payments not included in lease liabilities.

In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2024 and 2025 and the three months ended 31 March 2026, there is no such triggering event.

The Group entered into short-term leases for office, electric generators, vehicles and mobile toilets. As at 31 December 2024 and 2025 and 31 March 2026, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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16. INTANGIBLE ASSETS

	Customer contract HK\$'000
AT COST	
At 1 January 2024, 31 December 2024 and 31 December 2025 and 31 March 2026	17,500
AMORTISATION	
At 1 January 2024	10,355
Provided for the year	4,287
At 31 December 2024	14,642
Provided for the year	1,805
At 31 December 2025	16,447
Provided for the period	263
At 31 March 2026	16,710
CARRYING VALUES	
At 31 December 2024	2,858
At 31 December 2025	1,053
At 31 March 2026	790

Customer contract represent a contract with a customer to provide security services acquired from independent third parties. The customer contract originally ended on 30 June 2025 and was extended to 31 December 2025 and 31 December 2026 during year ended 31 December 2024 and 2025, respectively. The management of the Group has reviewed and changed estimated useful life of customer contract on a prospective basis.

Intangible assets are amortised on a straight-line basis over 47–55 months, 59–67 months and 59–67 months for the year ended 31 December 2024, 31 December 2025 and three months ended 31 March 2026, respectively.

17. TRADE RECEIVABLES

	At 31 December 2024 HK\$'000	2025 HK\$'000	At 31 March 2026 HK\$'000
Trade receivables	15,900	26,248	12,763

As at 1 January 2024, trade receivables from contracts with customers amounted to HK\$2,072,000.

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The Group grants credit terms to customers 14–60 days from the invoice date for trade receivables. An ageing analysis of the trade receivables, net of allowance for credit losses, presented based on the invoice dates at the end of each reporting period is as follows:

	At 31 December 2024 HK\$'000	2025 HK\$'000	At 31 March 2026 HK\$'000
0–30 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
	<u>15,900</u>	<u>26,248</u>	<u>12,763</u>

As at 31 December 2024 and 2025 and 31 March 2026, included in the Group’s trade receivables balances are debtors with aggregate carrying amount of HK\$12,008,000, HK\$14,403,000 and HK\$3,297,000, respectively, which are past due as at the reporting date. Out of the past due balances, HK\$1,432,000, HK\$44,000 and HK\$176,000 as at 31 December 2024 and 2025 and 31 March 2026 has been overdue 90 days or more and they are not considered as in default because these customers have good business relationships with the Group and satisfactory settlement history. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables as at 31 December 2024 and 2025 and 31 March 2026 are set out in note 29.

18. CONTRACT ASSETS

	At 31 December 2024 HK\$'000	2025 HK\$'000	At 31 March 2026 HK\$'000
Contract assets	<u>23,158</u>	<u>11,455</u>	<u>6,765</u>

Contract assets represents 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 dates.

At 1 January 2024, the net carrying amount of uncertified revenue from contracts with customer amounted to HK\$17,949,000.

Details of impairment assessment of contract assets as at 31 December 2024 and 2025 and 31 March 2026 are set out in note 29.

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19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group			Company	
	At 31 December		At 31 March	At 31 December	At 31 March
	2024	2025	2026	2025	2026
	HK\$'000	HK\$'000	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]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid issue costs	–	–	56	–	56
Deferred issue costs	132	2,182	2,352	2,182	2,352
	1,685	16,038	17,467	2,182	2,577
Non-current					
Prepayment	–	520	390	–	–
Total prepayment, deposits and other receivables	1,685	16,558	17,857	2,182	2,577

As at 31 December 2024, included in the Group’s other receivables balance are related parties with carrying amount of HK\$132,000.

Details of impairment assessment of other receivables and deposits as at 31 December 2024 and 2025 and 31 March 2026 are set out in note 29.

20. AMOUNT DUE FROM A JOINT OPERATOR

The amount is due from a joint operator of a joint operation of the Group. The amount is unsecured, interest-free and repayable on demand.

Details of impairment assessment of amount due from a joint operator as at 31 December 2024 and 2025 and 31 March 2026 are set out in note 29.

The principal activity of the joint operation formed with this joint operator is provision of security service in Hong Kong. The Group has the right to share 100% of the revenue, expenses, assets and liabilities under the joint arrangement agreement.

21. AMOUNTS DUE FROM SHAREHOLDERS

Amounts due from shareholders

	At 31 December 2024	2025	At 31 March 2026
	HK\$'000	HK\$'000	HK\$'000
Mr. Fong	5,280	5,764	4,779
Well Smart	6,510	6,994	6,009
	11,790	12,758	10,788

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As at 1 January 2024, amount due from Mr. Fong was HK\$8,220,000. The maximum amount outstanding during the years ended 31 December 2024 and 2025 and the three months ended 31 March 2026 is HK\$8,220,000, HK\$5,764,000 and HK\$5,764,000 respectively.

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

Details of impairment assessment of amounts due from shareholders as at 31 December 2024 and 2025 and 31 March 2026 are set out in note 29.

As represented by the directors of the Company, the amounts due from shareholders will be settled before [REDACTED].

22. LOAN TO A RELATED COMPANY

The amount represents loan to Arrano Capital Limited, a company 50% owned by Mr. Fong and 50% owned by Ms. Lam. Mr. Fong and Ms. Lam are ultimate shareholders of the Group. The amount is unsecured, interest-bearing at 1% below Prime Rate (defined in note 26) per annum.

Details of impairment assessment of loan to a related company as at 31 December 2024 are set out in note 29.

During the year ended 31 December 2025, the loan to a related company has been fully settled. Details of the settlement are set out in note 34.

23. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

As at 31 March 2026, pledged bank deposit carries fixed interest rate of 1.8% per annum and represents deposit pledged to a bank to secure banking facilities granted to the Group.

As at 31 December 2024 and 2025 and 31 March 2026, bank balances carry interest at prevailing market rates.

Details of impairment assessment of pledged bank deposit and bank balances as at 31 December 2024 and 2025 and 31 March 2026 are set out in note 29.

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group			Company	
	At 31 December		At	At	At
	2024	2025	31 March	31 December	31 March
	2024	2025	2026	2025	2026
	HK\$'000	HK\$'000	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]	[REDACTED]	[REDACTED]
Accrued issue costs	132	722	783	722	783
Staff costs payable	8,431	7,954	7,106	–	–
	32,198	39,066	21,661	2,889	3,132

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The average credit period on trade payables is 0 to 90 days. The following is an ageing analysis of trade payables of the Group and presented based on the invoice date at the end of each reporting period:

	At 31 December 2024 HK\$'000	2025 HK\$'000	At 31 March 2026 HK\$'000
0–30 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
	<u>20,515</u>	<u>21,144</u>	<u>6,642</u>

The Company’s amount due to a subsidiary was unsecured, interest-free and repayable on demand.

As at 31 December 2024, included in the Group’s trade payables are trade balances with related parties with carrying amount of HK\$396,000.

25. LEASE LIABILITIES

	At 31 December 2024 HK\$'000	2025 HK\$'000	At 31 March 2026 HK\$'000
Lease liabilities payable:			
Within one year	881	813	582
Within a period of more than one year but less than two years	<u>775</u>	<u>4</u>	<u>–</u>
	1,656	817	582
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(881)</u>	<u>(813)</u>	<u>(582)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>775</u>	<u>4</u>	<u>–</u>

The incremental borrowing rate applied to lease liabilities are 4.375%, 4.290% and 4.290% as at 31 December 2024 and 2025 and 31 March 2026, respectively.

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26. BANK BORROWINGS

	At 31 December 2024 HK\$'000	2025 HK\$'000	At 31 March 2026 HK\$'000
Bank borrowings:			
Unsecured and guaranteed	6,052	4,493	7,433
Secured and guaranteed	–	–	836
	<u>6,052</u>	<u>4,493</u>	<u>8,269</u>
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
Within a period of more than one year but not exceeding two years	1,626	1,695	1,712
Within a period of more than two years but not exceeding five years	<u>2,868</u>	<u>1,169</u>	<u>734</u>
	<u>6,052</u>	<u>4,493</u>	<u>8,269</u>

At 31 December 2024 and 2025, the bank borrowing carried interest at the Prime Rate (“Prime Rate”) as quoted by the lending banks from time to time minus 1% per annum. At 31 March 2026, the bank borrowings carried interest at Prime Rate as quoted by the lending banks from time to time minus 1% per annum or at 1% per annum over 1 month Hong Kong Interbank offered Rate (“HIBOR”).

The range of effective interest rates on the Group’s borrowings:

	At 31 December 2024	2025	At 31 March 2026
Variable-rate borrowings	<u>4.25%</u>	<u>4%</u>	<u>3.45%–4%</u>

At 31 December 2024 and 2025 and 31 March 2026, the bank borrowings are guaranteed by Mr. Fong, Ms. Lam and Mr. Wong. As at 31 March 2026, a bank borrowing of HK\$836,000 is secured by pledged bank deposit (note 23).

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27. SHARE CAPITAL

The Group

The capital of the Group as at 1 January 2024, 31 December 2024, 2025 and 31 March 2026 (represented the combined capital of the following companies) and their movements are as follows:

	<i>HK\$’000</i>
At 1 January 2024	
Arrano Group	—*
At 31 December 2024	—*
Issue of shares – Arrano International Holdings Limited	—*
At 31 December 2025 and 31 March 2026	—*

* less than HK\$500.

The Company

Ordinary shares of HK\$0.01 each:

	Number of shares	Nominal value of ordinary shares <i>HK\$’000</i>
Authorised		
At 25 February 2025 (date of incorporation), 31 December 2025 and 31 March 2026	38,000,000	380
Issued and fully paid		
At 25 February 2025 (date of incorporation), 31 December 2025 and 31 March 2026	2	—*

* less than HK\$500.

28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes lease liabilities and bank borrowing, net of cash and cash equivalents and equity.

The management of the Group reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

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29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December		At 31 March
	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
At amortised cost	35,130	58,527	45,312
Financial liabilities			
At amortised cost	27,606	27,121	16,185

Financial risk management objectives and policies

The Group’s financial instruments include trade receivables, deposits and other receivables, amounts due from/to a joint operator, shareholders, loan to a related company, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and pledged bank deposit. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate loan to a related company and variable-rate bank borrowing. The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on variable-rate loan to a related company and bank borrowings. The sensitivity analysis is prepared assuming the variable-rate loan to a related company and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

A 100 basis point increase or decrease is used in the sensitivity analysis, which represents management’s assessment of the reasonably possible change in interest rates. If the interest rate had been 100 basis point higher/lower and all other variables were held constant, the Group’s post-tax profit for the year ended 31 December 2024 and 2025 would increase/decrease by HK\$400 and decrease/increase by HK\$38,000 respectively, and the three months ended 31 March 2026 would decrease/increase by HK\$17,000.

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Credit risk and impairment assessment

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 receivables, amounts due from a joint operator and 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.

Trade receivables and contract assets arising from contracts with customers

The Group has concentration of credit risk on certain individual customers as at 31 December 2024 and 2025 and 31 March 2026. The five largest trade receivable balances accounted for 98.7%, 96.1% and 91.6% of the trade receivables and the largest trade receivable balance was approximately 57.4%, 56.8% and 29.8% of the Group’s total trade receivables as at 31 December 2024 and 2025 and 31 March 2026 respectively.

The five largest contract assets balances accounted for 98.8%, 95.6% and 86.8% of the contract assets and the largest contract assets balance was approximately 84.5%, 39.2% and 51.4% of the Group’s total contract assets as at 31 December 2024 and 2025 and 31 March 2026 respectively.

In order to minimise the credit risk of those receivables, the management of the Group closely monitors the recoverability of the amount due. In this regard, the management of the Group considers that the Group’s credit risk is significantly reduced.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group has applied the simplified approach of HKFRS 9 to measure the loss allowance at lifetime ECL. In additions, the Group performs impairment assessment under ECL model on trade receivables and contract assets individually.

The Group considers the credit risk of the customers of the Group is insignificant and the loss allowance for the trade receivables and contract assets arising from contracts with customers is minimal.

Deposits and other receivables, amounts due from shareholders and loan to a related company

The Group has taken into account historical settlement records, past experience, and also financial information of the related parties that is available to the Group, and concluded that there has been no significant increase in credit risk since initial recognition. The ECL on deposits and other receivables, amount due from shareholders and loan to a related company are assessed based on 12m ECL and are considered to be insignificant.

Amount due from a joint operator

The Group has taken into account the financial information of a joint operator and other information that is available to the Group, the Group concluded that there has been a significant increase in credit risk since initial recognition during the year ended 31 December 2023 and the amount is in default and transferred to credit-impaired during the year ended 31 December 2024.

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Pledged bank deposit and bank balances

The credit risk of pledged bank deposit and bank balances was considered as not material because such amounts were placed in banks with good external and/or internal credit ratings. The Group assessed 12m ECL on these balances and concluded that the ECL would be insignificant and, therefore, no impairment loss was recognised.

For individual assessment of ECL of the Group’s financial assets, the Group’s internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full.	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

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The table below details the credit risk exposures of the Group’s financial assets and contract assets as at 31 December 2024 and 2025 and 31 March 2026, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
					At 31 December 2024	At 31 March 2025	At 31 March 2026
					HK\$'000	HK\$'000	HK\$'000
Financial assets at amortised cost							
Trade receivables	17	N/A	Low risk	Lifetime ECL – not credit-impaired	15,900	26,248	12,763
Deposits and other receivables – related companies	19	N/A	Low risk	12m ECL	132	–	–
Deposits and other receivables – third parties	19	N/A	Low risk	12m ECL	571	6,150	4,996
Amount due from a joint operator	20	N/A	Loss	Lifetime ECL – credit-impaired	3,347	3,347	3,347
Amounts due from shareholders	21	N/A	Low risk	12m ECL	11,790	12,758	10,788
Loan to a related company	22	N/A	Low risk	12m ECL	6,099	–	–
Pledged bank deposit	23	A	N/A	12m ECL	–	–	5,000
Bank balances	23	A	N/A	12m ECL	588	13,366	11,760
Other items							
Contract assets	18	N/A	Low risk	Lifetime ECL – not credit-impaired	23,158	11,455	6,765

The following table shows the movement in lifetime ECL that has been recognised for amount due from a joint operator:

	Lifetime ECL (not credit-impaired) Amount due from a joint operator HK\$'000	Lifetime ECL (credit-impaired) HK\$'000
As at 1 January 2024	2,347	–
Net impairment losses recognised	–	1,000
Transfer to credit-impaired	(2,347)	2,347
As at 31 December 2024 and 2025 and 31 March 2026	–	3,347

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowing and ensures compliance with loan covenants, if any. Details of the borrowings and capital of the Group during the Track Record Period have been set out in notes 26 and 27, respectively.

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of each reporting period.

	Effective interest rate %	On demand or within 1 year HK\$’000	1–2 years HK\$’000	Total undiscounted cash flow HK\$’000	Total carrying amounts HK\$’000
As at 31 December 2024					
Trade and other payables	N/A	21,554	–	21,554	21,554
Bank borrowings	4.250	6,052	–	6,052	6,052
		<u>27,606</u>	<u>–</u>	<u>27,606</u>	<u>27,606</u>
Lease liabilities	4.375	<u>935</u>	<u>791</u>	<u>1,726</u>	<u>1,656</u>
As at 31 December 2025					
Trade and other payables	N/A	22,628	–	22,628	22,628
Bank borrowings	4.000	4,493	–	4,493	4,493
		<u>27,121</u>	<u>–</u>	<u>27,121</u>	<u>27,121</u>
Lease liabilities	4.290	<u>830</u>	<u>4</u>	<u>834</u>	<u>817</u>
As at 31 March 2026					
Trade and other payables	N/A	7,916	–	7,916	7,916
Bank borrowings	3.721	8,269	–	8,269	8,269
		<u>16,185</u>	<u>–</u>	<u>16,185</u>	<u>16,185</u>
Lease liabilities	4.290	<u>590</u>	<u>–</u>	<u>590</u>	<u>582</u>

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Bank borrowing with a repayment on demand clause is included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2024 and 2025 and 31 March 2026, the aggregate carrying amount of bank borrowing amounted to HK\$6,052,000, HK\$4,493,000 and HK\$8,269,000 respectively. Taking into account the Group’s financial position, the management does not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loan will be repaid after the end of each reporting period in accordance with the scheduled repayment dates set out in the loan agreement, details of which are set out in the table below:

	Within 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amounts HK\$'000
As at 31 December 2024	<u>1,786</u>	<u>1,786</u>	<u>2,975</u>	<u>6,547</u>	<u>6,052</u>
As at 31 December 2025	<u>1,779</u>	<u>1,779</u>	<u>1,186</u>	<u>4,744</u>	<u>4,493</u>
As at 31 March 2026	<u>6,024</u>	<u>1,779</u>	<u>741</u>	<u>8,544</u>	<u>8,269</u>

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

30. RETIREMENT BENEFITS SCHEMES

The Group contributes to a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. The assets of the schemes are held separately from those of the Group, in funds under the control of the independent trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The contributions paid and payable to the schemes by the Group during Track Record Period are disclosed in note 10.

For the Group’s subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period. The LSP obligation of the Group is considered to be insignificant.

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31. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed in elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties:

Name of related party	Relationship with the Group	Transactions	Year ended 31 December		Three months ended 31 March	
			2024	2025	2025	2026
			HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Arrano Capital Limited	50% owned by Mr. Fong and 50% owned by Ms. Lam	Loan interest income	297	63	63	–
Perfect Nations Limited	50% owned by Ms. Lam and 50% owned by Ms. Yip	Management fee income	180	–	–	–
		Shuttle bus services	1,040	–	–	–
Great Hint Limited	Wholly owned by Mr. Fong	expense				
		Consultancy services	156	–	–	–
		expense				
		Security service revenue	27	–	–	–
		Costs of operations	150	–	–	–
		equipment				
Mr. Wong	Director	Yacht charter income	13	–	–	–
Great Hint Limited	Wholly owned by Mr. Fong	Yacht charter income	27	–	–	–
Globalpass International Holdings Limited	Wholly owned by Ms. Yip	Yacht charter income	17	–	–	–

- (b) Save as disclosed in elsewhere in the Historical Financial Information, the Group has following balances with related parties:

Name of related party	Relationship with the Group	Balance	At 31 December		At 31 March
			2024	2025	2026
			HK\$'000	HK\$'000	HK\$'000
Perfect Nations Limited	50% owned by Ms. Lam and 50% owned by Ms. Yip	Other receivables	75	–	–
Mr. Wong	Director	Other receivables	13	–	–
Great Hint Limited	Wholly owned by Mr. Fong	Other receivables	27	–	–
Globalpass International Holdings Limited	Wholly owned by Ms. Yip	Other receivables	17	–	–
Perfect Nations Limited	50% owned by Ms. Lam and 50% owned by Ms. Yip	Trade payables	240	–	–
Great Hint Limited	Wholly owned by Mr. Fong	Trade payables	156	–	–

- (c) **Compensation of key management personnel**

The remuneration of key management of the Group was as follows:

	Year ended 31 December		Three months ended 31 March	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries and other benefits	3,194	5,383	658	823
Post-employment benefits	243	54	15	15
	<u>3,437</u>	<u>5,437</u>	<u>673</u>	<u>838</u>

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32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank Borrowings HK\$'000	Lease liabilities HK\$'000	Amount due to a director HK\$'000	Dividend payable HK\$'000	Accrued issue costs HK\$'000	Total HK\$'000
At 1 January 2024	7,525	–	3,880	–	–	11,405
Financing cash flow	(1,796)	(144)	–	–	–	(1,940)
Interest expense	323	11	–	–	–	334
Addition on lease liabilities	–	1,789	–	–	–	1,789
Settlement of amounts due from shareholders (note 34)	–	–	(3,880)	(15,000)	–	(18,880)
Dividend declared	–	–	–	15,000	–	15,000
Issue costs recognised	–	–	–	–	132	132
At 31 December 2024	6,052	1,656	–	–	132	7,840
Financing cash flow	(1,780)	(972)	–	–	(1,460)	(4,212)
Interest expense	221	56	–	–	–	277
Addition on lease liabilities	–	77	–	–	–	77
Settlement of loan to a related company (note 34)	–	–	–	(5,832)	–	(5,832)
Settlement of amounts due from shareholders (note 34)	–	–	–	(4,168)	–	(4,168)
Dividend declared	–	–	–	10,000	–	10,000
Issue costs recognised	–	–	–	–	2,050	2,050
At 31 December 2025	4,493	817	–	–	722	6,032
Financing cash flow	3,706	(243)	–	(4,030)	(165)	(732)
Interest expense	70	8	–	–	–	78
Settlement of amounts due from shareholders (note 34)	–	–	–	(1,970)	–	(1,970)
Dividend declared	–	–	–	6,000	–	6,000
Issue costs recognised	–	–	–	–	170	170
Prepaid issue costs recognised	–	–	–	–	56	56
As at 31 March 2026	8,269	582	–	–	783	9,634
For the three months ended 31 March 2025 (unaudited)						
At 1 January 2025	6,052	1,656	–	–	–	7,708
Financing cash flow	(445)	(242)	–	–	(730)	(1,417)
Interest expense	61	18	–	–	–	79
Addition on lease liabilities	–	77	–	–	–	77
Settlement of loan to a related company (note 34)	–	–	–	(5,832)	–	(5,832)
Settlement of amounts due from shareholders (note 34)	–	–	–	(4,168)	–	(4,168)
Dividend declared	–	–	–	10,000	–	10,000
Issue costs recognised	–	–	–	–	945	945
Prepaid issue costs recognised	–	–	–	–	66	66
At 31 March 2025 (unaudited)	5,668	1,509	–	–	281	7,458

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33. PARTICULARS IN SUBSIDIARIES

As at 31 December 2025 and 31 March 2026, the unlisted investment in a subsidiary represents the investment in Aegiswing Limited which is stated at cost. The Company has direct and indirect shareholdings/equity interests in the following subsidiaries:

Name of subsidiary	Place/the date of incorporation	Issued and fully paid share capital/registered capital	Proportion of ownership interest/voting rights held by the Company			Principal activities	Notes
			31 December 2024	31 March 2025	31 March 2026		
			date of report				
<i>Directly held:</i>							
Aegiswing Limited	BVI 10 March 2025	US\$1	–	100%	100%	[100%] Investment holding	(a)
<i>Indirectly held:</i>							
Arrano Group	Hong Kong 20 August 2020	HK\$2	–	–	–	[100%] Provision of security services	(b)
Arrano Security Company Limited	Hong Kong 31 July 2020	HK\$1	–	–	–	[100%] Provision of security services	(b)
Arrano Cleaning Services Limited	Hong Kong 4 May 2022	HK\$10	–	–	–	[100%] Provision of cleaning services	(b)
Arrano Technology Management Limited	Hong Kong 4 May 2022	HK\$10	–	–	–	[100%] Inactive	(b)

Notes:

- (a) No audited financial statements of Aegiswing Limited have been prepared since its dates of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.
- (b) These companies prepare their financial statements under HKFRS Accounting Standards. Their statutory audited financial statements for the year ended 31 December 2024 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants registered in Hong Kong, [and their statutory audited financial statements for the year ended 31 December 2025 are not due to be issued.]

None of the subsidiaries had issued any debt securities at the end of each of the reporting periods.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2024 and three months ended 31 March 2026, a dividend was declared by Arrano Group. The shareholders of Arrano Group assigned their dividend entitled amounting to HK\$15,000,000 and HK\$1,970,000 for partial settlement of amount due from Mr. Fong of HK\$7,500,000 and HK\$985,000 and partial settlement of amount due from Well Smart of HK\$7,500,000 and HK\$985,000, respectively.

On 31 March 2025, a dividend in respect of the year ended 31 December 2024 of HK\$10,000,000 was declared by Arrano Group. The shareholders of the subsidiary assigned their dividend entitled for full settlement of loan to a related company of HK\$5,832,000, partial settlement of amount due from Mr. Fong of HK\$2,084,000 and partial settlement of amount due from Well Smart of HK\$2,084,000.

During the year ended 31 December 2024, Ms. Lam assigned the amount due to a director of HK\$3,880,000 to amounts due from a shareholder, Well Smart.

On 21 February 2025, the Group entered into a Sales and Purchase Deed (the “Deed”) with the purchaser, Arrano Plant and Vehicle Services Limited (“Purchaser”), a company ultimately 50% owned by Ms. Yip and 50% by Ms. Lam, pursuant to which the Group has agreed to sell and the Purchaser has agreed to purchase the Vessel owned by the Group at the consideration of HK\$2,915,000. Mr. Fong and Well Smart have agreed to pay the consideration in equal parts on behalf of the Purchaser to the Group in accordance with the terms of the Deed. The disposal was completed on 21 February 2025.

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35. PERFORMANCE GUARANTEES

As at 31 March 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. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted a banking facility with details as set out in note 26.

36. RESERVES OF THE COMPANY

	Accumulated losses HK\$’000
At 25 February 2025 (date of incorporation)	–
Loss and other comprehensive expense for the period	<u>(6,547)</u>
At 31 December 2025	(6,547)
Loss and other comprehensive expense for the period	<u>(510)</u>
At 31 March 2026	<u><u>(7,057)</u></u>

37. SUBSEQUENT EVENTS

Saved as disclosed in the Historical Financial Information, subsequent to the end of the Track Record Period, the following significant events took place:

On [•] 2026, the Group has adopted a share option scheme. As of the date of this report, the maximum aggregate number of shares that may be issued under the share option scheme is [REDACTED] shares.

On [•] 2026, written resolutions of the shareholders of the Company were passed to approve the matters set out in the section headed “Statutory and General Information – 5. Written resolutions of our Shareholders passed on [•] 2026” in Appendix IV to the Document. It was resolved, among other things:

- (i) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$[100,000,000] divided into [10,000,000,000] shares of HK\$[0.01] each by the creation of an additional [9,962,000,000] shares of HK\$[0.01] each.
- (ii) conditional upon the share premium account of the Company being credited as a result of the [REDACTED], a total of [REDACTED] shares credited as fully paid at par to Fong 1119 and HFTT will be allotted and issued in proportion to their then respective shareholdings in the Company by way of capitalisation of the sum of HK\$[REDACTED] standing to the credit of the share premium account of the Company.

38. ESTIMATED DIRECTORS’ REMUNERATION

The estimated total compensation to be accrued to our Directors for the year ending 31 December 2026 is approximately HK\$4,114,000.

39. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 March 2026].