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You should read the following discussion and analysis in conjunction with the combined financial statements, including the notes thereto, included in the Accountant’s Report in Appendix I to this document and the selected historical financial information presented elsewhere in this document. Our combined financial statements were prepared in accordance with HKFRSs.

This discussion of our financial condition and results of operations contains forward-looking statements which, although based on the assumptions that we consider reasonable, are subject to risks and uncertainties. Our actual performance and results are based on the assumptions about our business and may differ materially from those anticipated in the forward-looking statements due to certain factors, including those set out in the sections entitled “Forward-looking statements”, “Risk factors”, and elsewhere in this document. In addition, certain industry issues also affect our financial condition and results of operations, as described in “Industry overview”.

OVERVIEW

Established in 1996, we specialise in stage lighting and sound engineering design and configuration management for live performance in Hong Kong. With industry experience of 30 years, we have evolved robust technical capabilities in the design, integration and delivery of stage lighting and sound engineering system for events of different nature and scale. In 2025, we were the second largest professional sound, lighting, and stage design engineering service provider for events and concerts in Hong Kong with approximately 22.8% market share in terms of revenue.

Our revenue increased from approximately HK\$150.3 million for the year ended 31 December 2024 to approximately HK\$163.8 million for the year ended 31 December 2025. Our revenue decreased from approximately HK\$64.9 million for the five months ended 31 May 2025 to approximately HK\$50.0 million for the five months ended 31 May 2026. Our profit for the year decreased from approximately HK\$13.3 million for the year ended 31 December 2024 to approximately HK\$9.3 million for the year ended 31 December 2025. Our profit for the period decreased from approximately HK\$4.4 million for the five months ended 31 May 2025 to approximately HK\$1.8 million for the five months ended 31 May 2026.

For further details of our business and operation, please refer to the section headed “Business”.

BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the stage lighting and sound engineering design and configuration management business is held by AHM. Pursuant to the Reorganisation, AHM is transferred to and held by our Company. Our Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the stage lighting and sound engineering design and configuration management business with no change in management of such business and the ultimate owners of the stage lighting and sound engineering design and configuration management business remain the same. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of the stage lighting and sound engineering design and configuration management business under AHM and, for the purpose of the Accountant’s Report, the historical financial information has been prepared and presented as a continuation of the financial statements of AHM, with the assets and liabilities of our Group recognised and measured at the carrying amounts of the stage lighting and sound engineering design and configuration management business under the financial statements of AHM for all periods presented.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by our Group.

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SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk factors” in this document.

Customer demand

The majority of our revenue was derived from the provision of stage lighting and sound engineering services. Consequently, our business is significantly dependent on the level of the customers’ demand for such service. In the event that the demand for stage lighting and sound engineering services is substantially reduced by the customers whether as a result of market trends, changes in customer preferences or technical challenges associated with the delivery of our services, our business, financial condition and results of operation, our profitability and future growth in revenue may be adversely affected.

Our ability to maintain customers’ relationships and obtain new projects from customers

Our contracts are awarded on a project basis and are not recurring in nature. Therefore, our future business depends on our ability to maintain customers’ relationships and secure new projects from customers. In addition, we have historically relied on a number of production houses, entertainment companies, event organisers and event contractors located in Hong Kong. If we fail to maintain our relationships with existing customers and experience a reduction or loss of engagement with our existing customers, our business, financial condition, and results of operations may be materially and adversely affected.

Fluctuation in cost of sales

Our cost of sales primarily consisted of rental expenses for lighting and sound equipment relating to short-term leases and subcontracting costs. These costs in aggregate represented approximately 83.2%, 82.6% and 76.1% of our total cost of sales for the Track Record Period, respectively. Our ability to control and manage our cost of sales will enhance our profitability. Any material fluctuation in our cost of sales may adversely impact our financial performance.

Rental expenses for lighting and sound equipment relating to short-term leases constitute the major component in our cost structure and accounted for approximately 43.4%, 40.8% and 31.4% of our total cost of sales for the Track Record Period, respectively. The equipment we rented includes lighting fixtures, sound consoles, speakers, amplifiers and related accessories. The rental rates for this equipment are largely susceptible to market forces, such as fluctuations in equipment supply and demand, maintenance and processing costs, environmental and regulatory requirements, and other unforeseen circumstances. Since the contract value of our projects is generally determined when a project is awarded to us, any substantial increase in rental rates for lighting and sound equipment between the time of submission of our proposal or quotation and the time we actually procure the rental equipment will substantially increase our operating expenses and may materially and adversely affect our gross profit margin and results of operations.

Our subcontracting costs accounted for approximately 39.8%, 41.8% and 44.7% of our total cost of sales for the Track Record Period, respectively. Our Group mainly engaged subcontractors to provide stage engineering, LED electronic display screen and shadow illumination effects and ad hoc personnel services on a project-by-project basis. If we have to incur substantial extra subcontracting costs due to unexpected circumstances without any compensation, our gross profit margin and results of operations will be materially and adversely affected.

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SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of historical financial information requires management to exercise judgements in the process of applying Group’s accounting policies. Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances. We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

We set forth below the accounting policies, estimates and judgements that we believe are the most significant to our financial information or that involve the most significant judgements and estimates used in the preparation of our financial statements. Other material accounting policy information, estimates, assumptions, and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in the notes to the historical financial information in the Accountant’s Report in Appendix I to this document.

Revenue Recognition

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group’s activities. The following is a description of the accounting policy for the principal revenue stream of our Group.

Provision of stage lighting and sound engineering services

Revenues from provision of stage lighting and sound engineering services are generated from providing services for development of tailor-made lighting and sound engineering solutions in concert, event and exhibition. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. The measure of progress is based on completed performance dates or show days delivered at the reporting date relative to the total performance dates or show days contracted.

The revenue of rendering of services comprises the agreed contract amount.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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Impairment of trade and other receivables

We follow the guidance of HKFRS 9 to determine whether trade and other receivables are impaired. Significant judgement is exercised on the assessment of the risk of default and expected credit losses from each counterparty. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, payment trends including subsequent payments and expected future change of credit risks, including consideration of factors such as general economy measure, changes in macro-economic indicators, etc. Details of assumptions and inputs used are discussed in Note 3.1(b) to the Accountant’s Report in Appendix I to this document.

SUMMARY OF RESULTS OF OPERATIONS

The following sets forth a summary of our results of operations during the Track Record Period as extracted from the Accountant’s Report set out in Appendix I to this document:

	<u>Year ended 31 December</u>		<u>Five months ended 31 May</u>	
	<u>2024</u>	<u>2025</u>	<u>2025</u>	<u>2026</u>
	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>
			(Unaudited)	
Revenue	150,261	163,805	64,925	50,033
Cost of sales	(125,597)	(139,643)	(54,628)	(40,484)
Gross profit	24,664	24,162	10,297	9,549
Other income	65	96	41	40
Other gains/(losses), net	33	936	(21)	(17)
General and administrative expenses	(9,030)	(9,760)	(4,319)	(7,440)
Provision for impairment losses on trade receivables	(174)	(5,546)	(685)	(194)
Reversal of/(provision for) impairment losses on other receivables	367	1,337	(168)	780
Operating profit	15,925	11,225	5,145	2,718
Finance income	422	373	163	133
Finance costs	(437)	(518)	(139)	(209)
Finance (costs)/income, net	(15)	(145)	24	(76)
Profit before income tax expense	15,910	11,080	5,169	2,642
Income tax expense	(2,578)	(1,760)	(800)	(833)
Profit for the year/period attributable to owners of the Company	13,332	9,320	4,369	1,809
Other comprehensive income/(losses):				
Items that will not be reclassified to profit or loss:				
Remeasurement of provision for long service payments	69	(49)	(20)	117
Fair value gain on financial asset at fair value through other comprehensive income	3	2	2	3
Total comprehensive income for the year/period	13,404	9,273	4,351	1,929

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DISCUSSION ON SELECTED ITEMS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue consists mainly of service fee received from the provision of stage lighting and sound engineering services to our customers.

Our revenue for the two years ended 31 December 2025 and the five months ended 31 May 2025 and 2026 were approximately HK\$150.3 million, HK\$163.8 million, HK\$64.9 million and HK\$50.0 million, respectively.

Breakdown by type of services

The following table sets forth the breakdown of our revenue by type of services for the years/ periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2024		2025		2025		2026	
	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000 (Unaudited)	% of total revenue %	Revenue HK\$'000	% of total revenue %
Provision of stage lighting and sound engineering services								
— Concert ⁽¹⁾	119,630	79.6	123,652	75.5	43,273	66.7	37,379	74.7
— Ceremony ⁽²⁾	18,805	12.5	23,105	14.1	15,449	23.8	5,214	10.4
— Others ⁽³⁾	9,307	6.2	14,395	8.8	5,412	8.3	4,901	9.8
Sub-total	147,742	98.3	161,152	98.4	64,134	98.8	47,494	94.9
Others⁽⁴⁾	2,519	1.7	2,653	1.6	791	1.2	2,539	5.1
Total	150,261	100.0	163,805	100.0	64,925	100.0	50,033	100.0

Notes:

- (1) Primarily represents concerts held at major venues in Hong Kong, including AsiaWorld-Expo, Hong Kong Coliseum, Kai Tak Sports Park and the Hong Kong Convention and Exhibition Centre. Our customers may engage us for concert tours across Hong Kong, Macao and the PRC. If we are involved in concert tours in Macao and the PRC, we generally engage subcontractors in Macao and the PRC for stage setup, installation and dismantling, while our technicians are deployed to oversee the installation process. For the two years ended 31 December 2025 and the five months ended 31 May 2025 and 2026, (i) our revenue from concerts performed in Macao amounted to approximately HK\$10.8 million, HK\$15.1 million, HK\$5.3 million and HK\$1.0 million, representing approximately 7.2%, 9.2%, 8.1% and 2.0% of our total revenue, respectively; and (ii) our revenue from concerts performed in the PRC amounted to approximately HK\$4.3 million, HK\$9.1 million, HK\$1.2 million and HK\$3.5 million, representing approximately 2.9%, 5.6%, 1.8% and 6.9% of our total revenue, respectively. For details, see section headed “Business — Our process — Execution phrase” in the document.
- (2) Primarily represents opening ceremonies, music award ceremonies, festival parades and religious and cultural assemblies.
- (3) Primarily represents TV shows, press conferences and sports events, including esports tournament.
- (4) Primarily represents our provisions of (i) coordination and technical support services, (ii) equipment rental services, (iii) rehearsal facilities services and (iv) sale and installation services for lighting and sound equipment.

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During the Track Record Period, concert remained as our primary revenue driver under the provision of stage lighting and sound engineering services. Our revenue generated from concert amounted to approximately HK\$119.6 million, HK\$123.7 million, HK\$43.3 million and HK\$37.4 million for the two years ended 31 December 2025 and the five months ended 31 May 2025 and 2026, respectively, accounting for approximately 79.6%, 75.5%, 66.7%, and 74.7% of our total revenue for the same year/period, respectively.

Cost of sales

Our cost of sales was approximately HK\$125.6 million, HK\$139.6 million, HK\$54.6 million and HK\$40.5 million for the two years ended 31 December 2025 and for the five months ended 31 May 2025 and 2026, respectively.

Cost of sales by nature

The following table sets forth the breakdown of our Group’s cost of sales by nature for the years/ periods indicated:

	Year ended 31 December				Five months ended 31 May			
	2024		2025		2025		2026	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Rental expenses for lighting and sound equipment relating to short-term leases	54,478	43.4	56,940	40.8	19,042	34.9	12,712	31.4
Subcontracting costs	49,943	39.8	58,438	41.8	25,480	46.6	18,099	44.7
Project consumables	1,154	0.9	1,838	1.4	937	1.8	314	0.8
Employee benefit expenses	6,735	5.3	8,109	5.8	3,285	6.0	3,702	9.2
Depreciation of property, plant and equipment	5,244	4.2	6,322	4.5	2,528	4.6	2,558	6.3
Depreciation of right-of-use assets	1,850	1.5	2,122	1.5	879	1.6	176	0.4
Expense relating to short-term leases	850	0.7	492	0.4	205	0.4	1,009	2.5
Consultancy fees	1,950	1.5	2,190	1.6	723	1.3	747	1.9
Insurance expenses	791	0.6	169	0.1	81	0.1	135	0.3
Repair and maintenance	233	0.2	291	0.2	121	0.2	125	0.3
Transportation expenses	2,366	1.9	2,667	1.9	1,347	2.5	907	2.2
Written-off of property, plant and equipment	—	0.0	65	0.0	—	0.0	—	0.0
Other expenses	3	0.0	—	0.0	—	0.0	—	0.0
Total cost of sales	125,597	100.0	139,643	100.0	54,628	100.0	40,484	100.0

Our cost of sales primarily consists of rental expenses for lighting and sound equipment relating to short-term leases and subcontracting costs, mainly comprising the rental expenses for lighting and sound equipment from our suppliers and manpower required for the project execution. Our rental expenses for lighting and sound equipment relating to short-term leases and subcontracting costs in aggregate accounted for approximately 83.2%, 82.6%, 81.5%, and 76.1% of our cost of sales for the two years ended 31 December 2025 and for the five months ended 31 May 2025 and 2026, respectively.

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Our cost of sales also includes (i) project consumables; (ii) employee benefit expenses; (iii) depreciation of property, plant and equipment; (iv) depreciation of right-of-use assets; (v) expense relating to short-term leases; (vi) consultancy fees; (vii) insurance expenses; (viii) repair and maintenance; (ix) transportation expenses; (x) written-off of property, plant and equipment; and (xi) other expenses.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth a breakdown of our gross profit by type of services in absolute amounts and as a percentage of gross profit margin, for the years/ periods indicated:

	Year ended 31 December				Five months ended 31 May			
	2024		2025		2025		2026	
	Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Provision of stage lighting and sound engineering services								
— Concert	18,546	15.5	15,221	12.3	6,032	13.9	5,440	14.6
— Ceremony	1,558	8.3	2,619	11.3	1,571	10.2	780	15.0
— Others	<u>3,423</u>	36.8	<u>4,986</u>	34.6	<u>2,031</u>	37.5	<u>1,581</u>	32.3
Sub-total	23,527	15.9	22,826	14.2	9,634	15.0	7,801	16.4
Others	<u>1,137</u>	45.1	<u>1,336</u>	50.4	<u>663</u>	83.8	<u>1,748</u>	68.8
Total	<u>24,664</u>	16.4	<u>24,162</u>	14.8	<u>10,297</u>	15.9	<u>9,549</u>	19.1

We had a gross profit of approximately HK\$24.7 million, HK\$24.2 million, HK\$10.3 million and HK\$9.5 million for the two years ended 31 December 2025 and the five months ended 31 May 2025 and 2026, respectively. Our gross profit margin slightly decreased from approximately 16.4% for the year ended 31 December 2024 to approximately 14.8% for the year ended 31 December 2025. Our gross profit margin increased from approximately 15.9% for the five months ended 31 May 2025 to approximately 19.1% for the five months ended 31 May 2026.

Other income

Our other income consists of rental income. Our other income were approximately HK\$65,000, HK\$96,000, HK\$41,000 and HK\$40,000 for the two years ended 31 December 2025 and for the five months ended 31 May 2025 and 2026 respectively, accounting for approximately 0.0%, 0.1%, 0.1% and 0.1% of our total revenue in the respective years/periods.

Other gains/(losses), net

Our other gains/(losses), net primarily consist of net foreign exchange gains/(losses) and gain on disposal of property, plant and equipment. Our net other gains were approximately HK\$33,000 and HK\$0.9 million for the two years ended 31 December 2025, respectively, accounting for approximately

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0.0% and 0.6% of our total revenue in the respective years. Our net other losses were approximately HK\$21,000 and HK\$17,000 for the five months ended 31 May 2025 and 2026, accounting for approximately 0.0% and 0.0% of our total revenue in the respective periods.

General and administrative expenses

Our general and administrative expenses primarily consist of: (i) employee benefit expenses (including salaries, bonuses, pension costs, and other employee welfares and allowance) relating to administrative personnel; (ii) depreciation of property, plant and equipment; (iii) depreciation of right-of-use assets; (iv) management service charge and (v) the [REDACTED] in relation to our preparation for the [REDACTED]. The following table sets forth a breakdown of our general and administrative expenses in absolute amounts for the years/periods indicated:

	Year ended 31 December				Five months ended 31 May			
	2024		2025		2025		2026	
	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Employee benefit expenses	4,740	52.5	5,187	53.1	2,283	52.9	2,398	32.2
Depreciation of property, plant and equipment	594	6.6	857	8.8	356	8.2	364	4.9
Depreciation of right-of-use assets	1,280	14.2	1,280	13.1	533	12.4	533	7.2
Rental expenses in relation to short-term leases	418	4.6	39	0.4	16	0.4	19	0.3
Auditor's remuneration	78	0.9	78	0.8	33	0.8	38	0.5
Legal and professional fee	88	1.0	—	0.0	—	0.0	295	4.0
[REDACTED]	—	0.0	—	0.0	—	0.0	[REDACTED]	[REDACTED]
Management service charge	610	6.8	1,348	13.8	656	15.2	—	0.0
Insurance	125	1.4	120	1.2	48	1.1	49	0.7
Repair and maintenance	1	0.0	—	0.0	—	0.0	—	0.0
Entertainment expenses	228	2.5	209	2.1	160	3.7	141	1.9
Motor vehicle expenses	342	3.8	300	3.1	113	2.6	111	1.5
Transportation	5	0.1	5	0.0	1	0.0	2	0.0
Office expenses	218	2.4	58	0.6	33	0.8	47	0.6
Utilities	174	1.9	159	1.6	45	1.0	44	0.6
Penalty	4	0.0	7	0.1	3	0.1	—	0.0
Others	125	1.3	113	1.1	39	0.9	97	1.3
Total	9,030	100.0	9,760	100.0	4,319	100.0	7,440	100.0

Provision for impairment losses on trade receivables

We recorded net impairment losses on trade receivables of approximately HK\$0.2 million and HK\$5.5 million for the two years ended 31 December 2025, respectively, primarily representing expected credit loss arising from trade receivables aged over one month. We recorded net impairment loss on trade receivables of approximately HK\$0.7 million and HK\$0.2 million for the five months ended 31 May 2025 and 2026 respectively.

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Reversal of/(provision for) impairment losses on other receivables

We recorded reversal of impairment losses on other receivables of approximately HK\$0.4 million, HK\$1.3 million and HK\$0.8 million for the two years ended 31 December 2025 and the five months ended 31 May 2026, respectively, primarily representing the expected credit loss arising from other receivables. We recorded provision for impairment losses on other receivables of approximately HK\$0.2 million for the five months ended 31 May 2025.

Finance (costs)/income — net

The following table sets forth our finance income and finance costs for the years/periods indicated:

	<u>Year ended 31 December</u>		<u>Five months ended 31 May</u>	
	<u>2024</u>	<u>2025</u>	<u>2025</u>	<u>2026</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
			(Unaudited)	
Finance income				
Interest income from bank deposits	1	—	—	—
Interest income from consideration receivable	388	335	147	123
Unwinding interest of rental deposits	<u>33</u>	<u>38</u>	<u>16</u>	<u>10</u>
	<u>422</u>	<u>373</u>	<u>163</u>	<u>133</u>
Finance costs				
Interest expenses on bank borrowings	(143)	—	—	—
Interest expenses on lease liabilities	(294)	(175)	(94)	(27)
Unwinding interest of purchase payables for property, plant and equipment	<u>—</u>	<u>(343)</u>	<u>(45)</u>	<u>(182)</u>
	<u>(437)</u>	<u>(518)</u>	<u>(139)</u>	<u>(209)</u>
Finance (costs)/income — net	<u>(15)</u>	<u>(145)</u>	<u>24</u>	<u>(76)</u>

Finance (costs)/income, net were primarily comprise of (i) interest income from bank deposits, (ii) interest income from consideration receivable, (iii) unwinding interest of rental deposits, (iv) interest expenses on bank borrowings, (v) interest expenses on lease liabilities and (vi) unwinding interest of purchase payable for property, plant and equipment. For the two years ended 31 December 2025 and the five months ended 31 May 2026, we recorded net finance costs of approximately HK\$15,000, HK\$0.1 million, and HK\$76,000, respectively, representing approximately 0.0%, 0.1% and 0.2% of our revenue in the respective years/period. For the five months ended 31 May 2025, we recorded net finance income of approximately HK\$24,000, representing approximately 0.0% of our revenue in the period.

Income tax expense

Our income tax expense consists of current income tax for the year/period and deferred income tax. We are subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which we are domiciled and operate, and subject to various income tax rates under different jurisdictions.

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The following table sets forth a breakdown of our income tax expense for the years/periods indicated:

	<u>Year ended 31 December</u>		<u>Five months ended 31 May</u>	
	<u>2024</u>	<u>2025</u>	<u>2025</u>	<u>2026</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
			(Unaudited)	
Current income tax				
— Hong Kong profits tax	2,168	1,324	867	531
— Macao profits tax	127	240	103	7
Deferred income tax	<u>283</u>	<u>196</u>	<u>(170)</u>	<u>295</u>
	<u>2,578</u>	<u>1,760</u>	<u>800</u>	<u>833</u>

We were not subject to any income tax in the Cayman Islands pursuant to the tax laws and regulations of the Cayman Islands as we were incorporated in the Cayman Islands as an exempted company with limited liabilities under the Companies Act of the Cayman Islands.

Under Hong Kong’s two-tiered profits tax rates regime, our qualifying entity is subject to Hong Kong profits tax rate of 8.25% on assessable profits up to HK\$2.0 million, and 16.5% on assessable profits over HK\$2.0 million.

For the corporation profit tax of Macao, the tax rate was calculated at 12% for amounts exceeding MOP600,000 and tax-free for amounts below MOP600,000.

Our effective income tax rate, calculated as income tax expenses divided by profit before income tax multiplied by 100.0%, was approximately 16.2%, 15.9%, 15.5%, and 31.5% for the two years ended 31 December 2025 and for the five months ended 31 May 2025 and 2026, respectively.

YEAR TO YEAR/PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 May 2026 compared to five months ended 31 May 2025

Revenue

Our revenue decreased by approximately 22.9% from approximately HK\$64.9 million for the five months ended 31 May 2025 to approximately HK\$50.0 million for the five months ended 31 May 2026, primarily due to the decrease in our revenue generated from concert projects from approximately HK\$43.3 million for the five months ended 31 May 2025 to approximately HK\$37.4 million for the five months ended 31 May 2026 and the decrease in our revenue generated from ceremony projects from approximately HK\$15.4 million for the five months ended 31 May 2025 to approximately HK\$5.2 million for the five months ended 31 May 2026. Such decrease was mainly attributable to a decreased number of concert and ceremony projects undertaken by our Group with contract sum over HK\$1.0 million. In particular, we participated in the grand opening ceremony and inaugural large-scale entertainment event of a flagship sports and leisure complex in March 2025.

Cost of sales

Our cost of sales decreased from approximately HK\$54.6 million for the five months ended 31 May 2025 to approximately HK\$40.5 million for the five months ended 31 May 2026, primarily due to the decrease in revenue and the decrease in rental expenses for lighting and sound equipment relating to short-term leases as a result of the purchase of new lighting and sound equipment during the year ended 31 December 2025.

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Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased from approximately HK\$10.3 million for the five months ended 31 May 2025 to approximately HK\$9.5 million for the five months ended 31 May 2026. Our gross profit margin increased from approximately 15.9% for the five months ended 31 May 2025 to approximately 19.1% for the five months ended 31 May 2026.

Other income

Our other income remained relatively stable at approximately HK\$41,000 for the five months ended 31 May 2025 and approximately HK\$40,000 for the five months ended 31 May 2026.

Other gains/(losses), net

Our net other losses remained stable at approximately HK\$21,000 and HK\$17,000 for the five months ended 31 May 2025 and 2026.

General and administrative expenses

Our general and administrative expenses increased from approximately HK\$4.3 million for the five months ended 31 May 2025 to approximately HK\$7.4 million for the five months ended 31 May 2026, primarily due to the [REDACTED] of approximately HK\$[REDACTED] million in relation to our preparation for the [REDACTED].

Provision for impairment losses on trade receivables

We recorded impairment losses on trade receivables of approximately HK\$0.7 million for the five months ended 31 May 2025 and approximately HK\$0.2 million for the five months ended 31 May 2026, primarily due to our provision of impairment for certain trade receivables.

Reversal of/(provision for) impairment losses on other receivables

We recorded impairment losses on other receivables of approximately HK\$0.2 million for the five months ended 31 May 2025 and reversal of impairment losses on other receivables of approximately HK\$0.8 million for the five months ended 31 May 2026. The change in our impairment on other receivables was primarily due to our reversal of impairment for consideration receivable.

Finance (costs)/income, net

Our net finance income was approximately HK\$24,000 for the five months ended 31 May 2025 and our net finance costs were approximately HK\$0.1 million for the five months ended 31 May 2026. The change was primarily due to the increase in unwinding interest of purchase payables for property, plant and equipment of approximately HK\$0.1 million.

Income tax expense

Our income tax expense remained stable at approximately HK\$0.8 million for the five months ended 31 May 2025 and approximately HK\$0.8 million for the five months ended 31 May 2026.

Our effective income tax rate were at approximately 15.5% for the five months ended 31 May 2025 and approximately 31.5% for the five months ended 31 May 2026. The increase in effective income tax rate for the five months ended 31 May 2026 was primarily due to the professional fees incurred for the preparation of [REDACTED] which are non-deductible for tax purposes.

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Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately 58.6% from approximately HK\$4.4 million for the five months ended 31 May 2025 to approximately HK\$1.8 million for the five months ended 31 May 2026, while our net profit margin decreased from approximately 6.8% for the five months ended 31 May 2025 to approximately 3.6% for the five months ended 31 May 2026.

Year ended 31 December 2025 compared to year ended 31 December 2024

Revenue

Our revenue increased from approximately HK\$150.3 million for the year ended 31 December 2024 to approximately HK\$163.8 million for the year ended 31 December 2025, primarily due to the increase in revenue generated from concert and ceremony projects, owing to the increased number of concert and ceremony projects with contract sum over HK\$1.0 million undertaken by our Group.

Cost of sales

Our cost of sales increased from approximately HK\$125.6 million for the year ended 31 December 2024 to approximately HK\$139.6 million for the year ended 31 December 2025, primarily due to the increase in revenue and the increase in subcontracting costs and project consumables as a result of the increased number of concert and ceremony projects with contract sum over HK\$1.0 million undertaken by our Group.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit remained relatively stable from approximately HK\$24.7 million for the year ended 31 December 2024 to approximately HK\$24.2 million for the year ended 31 December 2025. Our gross profit margin slightly decreased from approximately 16.4% for the year ended 31 December 2024 to 14.8% for the year ended 31 December 2025.

Other income

Our other income increased from approximately HK\$65,000 for the year ended 31 December 2024 to approximately HK\$96,000 for the year ended 31 December 2025 primarily due to the rental income from a related party from May 2024, covering only eight months of rental receipts for the year ended 31 December 2024.

Other gains/(losses), net

Our net other gains increased from approximately HK\$33,000 for the year ended 31 December 2024 to approximately HK\$1.0 million for the year ended 31 December 2025 primarily due to the gain on the disposal of lighting and sound equipment of approximately HK\$1.3 million and partially offset by the exchange loss of approximately HK\$0.2 million.

General and administrative expenses

Our general and administrative expenses increased by approximately 8.1% from approximately HK\$9.0 million for the year ended 31 December 2024 to approximately HK\$9.8 million for the year ended 31 December 2025, primarily because of the increase in employee benefit expenses of approximately HK\$0.4 million.

FINANCIAL INFORMATION

Provision for impairment losses on trade receivables

Our provision for impairment losses on trade receivables increased from approximately HK\$0.2 million for the year ended 31 December 2024 to approximately HK\$5.5 million for the year ended 31 December 2025, primarily due to the provision of approximately HK\$4.1 million in respect of the two projects for Customer I who commenced winding-up proceedings by way of a creditors’ voluntary liquidation in 2026.

Reversal of/(provision for) impairment losses on other receivables

We recorded reversal of impairment losses on other receivables of approximately HK\$0.4 million and approximately HK\$1.3 million for the two year ended 31 December 2025 respectively. The change was primarily due to the decrease of other receivables by the settlement by way of set-off against the related payable balances due to certain subcontractors.

Finance (costs)/income — net

Our net finance costs increased from approximately HK\$15,000 for the year ended 31 December 2024 to approximately HK\$0.1 million for the year ended 31 December 2025, primarily due to an increase of approximately HK\$0.3 million in unwinding interest of purchase payables for property, plant and equipment and the decrease of approximately HK\$53,000 in interest income from consideration receivable, partially offset by the decrease of approximately HK\$0.1 million in interest expenses on lease liabilities.

Income tax expense

Our income tax expense decreased by approximately 32.1% from approximately HK\$2.6 million for the year ended 31 December 2025 to approximately HK\$1.8 million for the year ended 31 December 2025, primarily due to our decreased taxable income.

Our effective income tax rate were approximately 16.2% for the year ended 31 December 2024 and 15.9% for the year ended 31 December 2025.

Profit for the year

As a result of the foregoing, our profit for the period decreased by approximately 30.1% from approximately HK\$13.3 million for the year ended 31 December 2024 to approximately HK\$9.3 million for the year ended 31 December 2025, while our net profit margin decreased from approximately 8.9% for the year ended 31 December 2024 to approximately 5.7% for the year ended 31 December 2025.

FINANCIAL INFORMATION

DISCUSSION ON SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Current Assets and Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of 31 December		As of 31 May	As of 30 June
	2024	2025	2026	2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Current assets				
Trade receivables	14,639	35,154	27,190	16,131
Other receivables, deposits and prepayments	492	1,079	2,730	4,012
Amount due from a related company	—	—	8	—
Cash and cash equivalents	8,794	22,959	7,424	14,482
Total current assets	23,925	59,192	37,352	34,625
Current liabilities				
Trade payables	14,913	39,794	19,073	18,159
Contract liabilities	810	1,304	440	—
Accruals and other payables	2,842	7,982	8,599	8,670
Amount due to an intermediate holding company	47	47	47	47
Amount due to an immediate holding company	17,189	17,185	—	—
Amount due to related companies	2,550	2,492	—	—
Income tax payable	1,038	2,058	2,596	3,018
Lease liabilities	3,291	1,523	853	733
Total current liabilities	42,680	72,385	31,608	30,629
Net current (liabilities)/assets	(18,755)	(13,193)	5,744	3,998

Our net current liabilities decreased from approximately HK\$18.8 million as of 31 December 2024 to HK\$13.2 million as of 31 December 2025, primarily due to the increase in trade receivables of approximately HK\$20.5 million, the increase in cash and cash equivalents of approximately HK\$14.2 million, which were partially offset by the increase in trade payables of approximately HK\$24.9 million and the increase in accruals and other payables of approximately HK\$5.1 million.

We recorded net current assets position of approximately HK\$5.7 million as of 31 May 2026, primarily due to the capitalisation of outstanding balance of amount due to an immediate holding company of approximately HK\$17.2 million, the decrease in trade payables of approximately HK\$20.7 million, the decrease in amount due to related companies of approximately HK\$2.5 million, and the increase in other receivables, deposits and prepayments of approximately HK\$1.7 million, which were partially offset by the decrease in trade receivables of approximately HK\$8.0 million and the decrease in cash and cash equivalents of approximately HK\$15.5 million.

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Our net current assets remained relatively stable of approximately HK\$4.0 million as of 30 June 2026.

Trade Receivables

Our trade receivables represent outstanding amount due from our customers for the purchase of services we offered in the ordinary course of business, less provision for loss allowances. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of 31 December		As of 31 May
	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	14,836	40,897	33,127
Less: provision for loss allowances	(197)	(5,743)	(5,937)
Total	14,639	35,154	27,190

Our trade receivables, net of provision for loss allowances, increased by approximately 140.1% from approximately HK\$14.7 million as of 31 December 2024 to approximately HK\$35.2 million as of 31 December 2025, primarily due to two relatively large-scale concerts projects scheduled to take place in late 2025. Our trade receivables, net of provision for loss allowances, decreased by approximately 22.7% to approximately HK\$27.2 million as of 31 May 2026, primarily due to the settlement of the abovementioned two projects in early 2026 and partially offset by three concerts projects scheduled to take place in April and May 2026.

The following table sets forth an aging analysis of our trade receivables as of the dates base on invoice date indicated:

	As of 31 December		As of 31 May
	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000
Less than 31 days	7,451	25,390	15,910
31–60 days	2,092	4,198	5,596
61–90 days	2,412	3,782	417
91–180 days	2,265	2,680	2,988
181–365 days	598	4,303	5,723
Over 365 days	18	544	2,493
Total	14,836	40,897	33,127

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The following table sets forth the number of turnover days for our trade receivables for the year/period indicated:

	<u>Year ended 31 December</u>		<u>Five months ended</u>
	<u>2024</u>	<u>2025</u>	<u>31 May 2026</u>
Average trade receivables turnover days	40.1	62.1	111.0

Note: Average trade receivables turnover days equal the average of the opening and closing balances of amount of trade receivables of the period indicated divided by the revenue of the same period and multiplied by 365 days for a full-year period or 150 days for a five-month period.

The average trade receivables turnover days increased from approximately 40.1 days for the year ended 31 December 2024 to approximately 62.1 days for the year ended 31 December 2025 and further increased to approximately 111.0 days for the five months ended 31 May 2026, mainly due to the higher trade receivables as of 31 December 2025 as a result of two relatively large-scale concerts projects scheduled to take place in late 2025 and the relatively high trade receivables of 31 May 2026 as a result of three concerts projects scheduled to take place in April and May 2026.

As of 31 July 2026, HK\$20.4 million, or 61.7%, of our trade receivables as of 31 May 2026 had been settled.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments primarily consist of: (i) prepayments; (ii) prepaid for [REDACTED]; (iii) other receivables; (iv) consideration receivables; (v) rental deposits; and (vi) other deposits.

The following table sets forth a breakdown of our other receivables, deposits and prepayments as of the dates indicated:

	<u>As of 31 December</u>		<u>As of</u>
	<u>2024</u>	<u>2025</u>	<u>31 May 2026</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Prepayments	161	202	121
Prepaid for [REDACTED]	—	—	[REDACTED]
Other receivables	55	85	85
Consideration receivables	23,267	19,824	18,839
Rental deposits	681	753	763
Other deposits	276	39	32
Less: provision for loss allowance	(13,716)	(12,852)	(12,214)
Less: non-current portion			
— Rental deposits	(681)	—	—
— Consideration receivable	(9,551)	(6,972)	(6,625)
Total	<u>492</u>	<u>1,079</u>	<u>2,730</u>

Our other receivables, deposits and prepayments increased from approximately HK\$0.5 million as of 31 December 2024 to approximately HK\$1.1 million as of 31 December 2025 mainly due to the increase in rental deposit, less of non-current portion.

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Our other receivables, deposits and prepayments increased to approximately HK\$2.7 million as of 31 May 2026, primarily due to the increase in the prepaid [REDACTED] of approximately HK\$[REDACTED].

Trade payables

Trade payables represent our obligations to pay for rental fee for lighting and/or sound equipment or services that we have acquired in the ordinary course of business from our suppliers.

The following table sets our trade payables as of the dates indicated:

	As of 31 December		As of 31 May
	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000
Trade payables	14,913	39,794	19,073

Our trade payables increased by approximately 166.8% from approximately HK\$14.9 million as of 31 December 2024 to approximately HK\$39.8 million as of 31 December 2025, primarily due to the increase in lighting and sound equipment and manpower for two relatively large-scale concerts projects scheduled to take place in late 2025. Our trade payables decreased by approximately 52.1% to HK\$19.1 million as of 31 May 2026, primarily due to settlement of the abovementioned two projects in early 2026 partially offset by the increase in lighting and sound equipment and manpower for three concerts projects scheduled to take place in April and May 2026.

The following table sets forth an aging analysis of our trade payables based on invoice date as of the dates indicated:

	As of 31 December		As of 31 May
	2024	2025	2026
	HK\$'000	HK\$'000	HK\$'000
Less than 31 days	7,856	18,625	8,237
31–60 days	1,754	10,418	3,911
61–90 days	1,026	4,069	1,084
91–180 days	1,914	2,471	3,228
181–365 days	155	1,555	1,753
Over 365 days	2,208	2,656	860
Total	14,913	39,794	19,073

Our trade payables aged less than 31 days amounted to approximately HK\$7.9 million, HK\$18.6 million and HK\$8.2 million as of 31 December 2024 and 2025 and 31 May 2026, accounting for approximately 52.7%, 46.8% and 43.2% of our total trade payables as of the same dates, respectively. The increase in the absolute amount of our trade payables aged less than 31 days as of 31 December 2025 were primarily due to the increase in lighting and sound equipment and manpower for two relatively large-scale concerts projects scheduled to take place in late 2025. Our trade payables aged over 30 days amounted to approximately HK\$7.1 million, HK\$21.2 million and HK\$10.8 million as of 31 December 2024 and 2025 and 31 May 2026, respectively. The increase in our trade payables aged over 30 days as of 31 December 2025 was primarily due to the increase in lighting and sound equipment and manpower for two relatively large-scale concerts projects scheduled to take place in late 2025.

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The following table sets forth the number of turnover days for our trade payables for the year/period indicated:

	<u>Year ended 31 December</u>		<u>Five months ended</u>
	<u>2024</u>	<u>2025</u>	<u>31 May 2026</u>
Average trade payables turnover days	52.7	71.7	109.6

Note: Average trade payables turnover days equal the average of the opening and closing balances of amount of trade payables of the period indicated divided by the cost of sales of the same period and multiplied by 365 days for a full-year period or 150 days for a five-month period.

The average trade payables turnover days increased from approximately 52.7 days for the year ended 31 December 2024 to approximately 71.7 days for the year ended 31 December 2025 and further increased to approximately 109.6 days for the five months ended 31 May 2026, mainly due to the higher trade payables as of 31 December 2025 as a result of the increase in lighting and sound equipment and manpower for two relatively large-scale concerts projects scheduled to take place in late 2025 and the relatively high trade payables as of 31 May 2026 as a result of increase in lighting and sound equipment and manpower for three concerts projects scheduled to take place in April and May 2026.

As of 31 July 2026, HK\$12.6 million, or 65.9%, of our trade payables as of 31 May 2026 had been settled.

Accruals and other payables

Our accruals and other payables primarily consist of salaries and welfare payables, and the purchase of new lighting and sound equipment.

The following table sets forth a breakdown of our accruals and other payables as of the dates indicated:

	<u>As of 31 December</u>		<u>As of 31 May</u>
	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Accrued staff cost	1,646	1,821	1,457
Accrued expenses	654	1,240	1,237
Accrued [REDACTED]	—	—	[REDACTED]
Purchase payables for property, plant and equipment	542	10,487	9,226
Less: non-current portion — Purchase payables for property, plant and equipment	—	(5,566)	(3,760)
Total	<u>2,842</u>	<u>7,982</u>	<u>8,599</u>

Our accruals and other payables increased from approximately HK\$2.8 million as of 31 December 2024 to approximately HK\$8.0 million as of 31 December 2025 and remained stable at approximately HK\$8.6 million as of 31 May 2026. The increase was primarily due to an increase in purchase payables for property, plant and equipment, less non-current portion, of approximately HK\$4.4 million as a result of our purchase of new equipment during the year ended 31 December 2025.

Contract liabilities

Our contract liabilities represent the advance payments made by customers while the underlying services are yet to be provided.

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Our contract liabilities increased from approximately HK\$0.8 million as of 31 December 2024 to approximately HK\$1.3 million as of 31 December 2025 primarily due to the advance payment received from customer upon project confirmation and the respective project was commenced in early 2026. Our contract liabilities decreased to approximately HK\$0.4 million as of 31 May 2026, primarily due to the deduction of advance payments by progress payments for certain projects.

As of 31 July 2026, HK\$0.4 million, or 100%, of our contract liabilities as of 31 May 2026 had been settled.

Amount due to an immediate holding company

Amount due to an immediate holding company (non-trade in nature) were approximately HK\$17.2 million, HK\$17.2 million and nil as of 31 December 2024, 2025 and 31 May 2026, mainly represented the loans from Colour Tone. As of 31 December 2024, 2025 and 31 May 2026, the amount due to an immediate holding company were unsecured, interest-free and repayable on demand.

Non-current Assets and Liabilities

The following table sets forth our non-current assets and liability as of the dates indicated:

	<u>As of 31 December</u>		<u>As of 31 May</u>
	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current assets			
Property, plant and equipment	28,417	40,043	39,671
Right-of-use assets	4,747	1,458	747
Financial asset at fair value through other comprehensive income	11	13	16
Other receivable and deposits	<u>10,232</u>	<u>6,972</u>	<u>6,625</u>
Total non-current assets	<u>43,407</u>	<u>48,486</u>	<u>47,059</u>
Non-current liabilities			
Other payables	—	5,566	3,760
Lease liabilities	1,505	—	—
Deferred tax liabilities	2,873	3,069	3,364
Provision for long service payments	<u>839</u>	<u>950</u>	<u>857</u>
Total non-current liabilities	<u>5,217</u>	<u>9,585</u>	<u>7,981</u>
Net assets	<u>19,435</u>	<u>25,708</u>	<u>44,828</u>

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Property, plant and equipment

Our property, plant and equipment mainly comprise lighting and sound equipment.

Our property, plant and equipment increased from approximately HK\$28.4 million as of 31 December 2024 to approximately HK\$40.0 million as of 31 December 2025 due to the purchase of new lighting and sound equipment during the year ended 31 December 2025. Our property, plant and equipment remained relatively stable at approximately HK\$39.7 million as of 31 May 2026.

Right-of-use assets

Our right-of-use assets are mainly associated with leased office and warehouse. Our right-of-use assets decreased from approximately HK\$4.7 million as of 31 December 2024 to approximately HK\$1.5 million as of 31 December 2025 and further decreased to approximately HK\$0.7 million as of 31 May 2026, primarily because of the amortisation of right-of-use assets according to the terms in lease agreements.

Other receivable and deposits

Our other receivable and deposits mainly comprise the consideration receivable.

Our other receivable and deposits decreased from approximately HK\$10.2 million as of 31 December 2024 to approximately HK\$7.0 million as of 31 December 2025 and further decreased to approximately HK\$6.6 million as of 31 May 2026, primarily due to the settlement by way of set-off against the trade payable balances due to certain subcontractors.

Other payables

Our other payables mainly comprise the payable for the purchase of new lighting and sound equipment. Our other payables increased to approximately HK\$5.6 million as of 31 December 2025, primarily because of the new purchase of the lighting and sound equipment during the year ended 31 December 2025. Our other payables decreased to approximately HK\$3.8 million as of 31 May 2026, primarily due to repayment of the installment of the new purchase of the lighting and sound equipment.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operations. We had cash and cash equivalents of approximately HK\$8.8 million, HK\$23.0 million and HK\$7.4 million as of 31 December 2024, 2025 and 31 May 2026, respectively.

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Cash flows

The following table sets forth our cash flows for the years/periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Net cash generated from/(used in) operating activities	13,782	28,841	11,572	(7,715)
Net cash used in investing activities	(10,542)	(7,472)	(4,162)	(1,416)
Net cash used in financing activities	(5,395)	(7,204)	(1,925)	(6,404)
Net (decrease)/increase in cash and cash equivalents	(2,155)	14,165	5,485	(15,535)
Cash and cash equivalents at beginning of year/period	10,949	8,794	8,794	22,959
Cash and cash equivalents at the end of the year/period	8,794	22,959	14,279	7,424

Cash flows generated from/(used in) operating activities

Our cash flows from operating activities consisted of revenue from our services provided. Cash flow from operating activities reflects: (i) profit before income tax adjusted for non-cash and non-operating items, such as depreciation of property, plant and equipment and right-of-use assets, provision for/(reversal of) impairment loss on trade receivables and other receivables, provision for long service payments, written-off of property, plant and equipment, gain on disposal of property, plant and equipment, loss on lease modification, finance income and finance costs; and (ii) the effects of movements in working capital.

For the five months ended 31 May 2026, we had cash generated from operating activities of HK\$7.7 million. This amount represented our profit before income tax of approximately HK\$2.6 million, adjusted for non-cash and non-operating items, primarily include (i) depreciation of property, plant and equipment of approximately HK\$2.9 million, (ii) depreciation of right-of-use assets of approximately HK\$0.7 million, (iii) provision for impairment loss on trade receivables of approximately HK\$0.2 million, (iv) reversal of impairment loss on other receivables of approximately HK\$0.8 million, (v) provision for long service payments of approximately HK\$24,000, (vi) finance income of approximately HK\$0.1 million, and (vii) finance costs of approximately HK\$0.2 million. The amount was further adjusted by changes in certain working capital accounts, primarily include: (i) decrease in trade receivables of approximately HK\$7.8 million, (ii) increase in other receivables, deposits and prepayments of approximately HK\$0.5 million, (iii) decrease in amount due to a related company of approximately HK\$0.5 million, (iv) decrease in trade payables of approximately HK\$19.5 million, (v) increase in accruals and other payables of approximately HK\$72,000, and (vi) decrease in contract liabilities of approximately HK\$0.9 million.

For the five months ended 31 May 2025, we had cash generated from operating activities of HK\$11.6 million. This amount represented our profit before income tax of approximately HK\$5.2 million, adjusted for non-cash and non-operating items, primarily include (i) depreciation of property, plant and equipment of approximately HK\$2.9 million, (ii) depreciation of right-of-use assets of approximately HK\$1.4 million, (iii) provision for impairment loss on trade receivables of approximately

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HK\$0.7 million, (iv) provision for impairment loss on other receivables of approximately HK\$0.2 million, (v) provision for long service payments of approximately HK\$26,000 million, (vi) loss on lease modification of approximately HK\$0.1 million, (vii) finance income of approximately HK\$0.4 million, and (viii) finance costs of approximately HK\$0.1 million. The amount was further adjusted by changes in certain working capital accounts, primarily include: (i) increase in trade receivables of approximately HK\$12.6 million, (ii) decrease in other receivables, deposits and prepayments of approximately HK\$1.5 million, (iii) increase in amount due to a related company of approximately HK\$0.6 million, (iv) increase in trade payables of approximately HK\$12.3 million, (v) decrease in accruals and other payables of approximately HK\$0.5 million, and (vi) decrease in contract liabilities of approximately HK\$0.1 million.

For the year ended 31 December 2025, we had cash generated from operating activities of approximately HK\$28.8 million. This amount represented our profit before income tax of approximately HK\$11.1 million, adjusted for non-cash and non-operating items, primarily include (i) depreciation of property, plant and equipment of approximately HK\$7.2 million, (ii) depreciation of right-of-use assets of approximately HK\$3.4 million, (iii) provision for impairment loss on trade receivables of approximately HK\$5.5 million, (iv) reversal of impairment loss on other receivables of approximately HK\$1.3 million, (v) provision for long service payments of approximately HK\$62,000, (vi) written-off of property, plant and equipment of approximately HK\$65,000, (vii) gain on disposal of property, plant and equipment of approximately HK\$1.3 million, (viii) loss on lease modification of approximately HK\$0.1 million, (ix) finance income of approximately HK\$0.4 million, and (x) finance costs of approximately HK\$0.5 million. The amount was further adjusted by changes in certain working capital accounts, primarily include: (i) increase in trade receivables of approximately HK\$26.1 million, (ii) decrease in other receivables, deposits and prepayments of approximately HK\$0.1 million, (iii) decrease in amount due to a related company of approximately HK\$58,000, (iv) increase in trade payables of approximately HK\$29.1 million, (v) increase in accruals and other payables of approximately HK\$0.8 million, and (vi) increase in contract liabilities of approximately HK\$0.5 million.

For the year ended 31 December 2024, we had cash generated from operating activities of approximately HK\$13.8 million. This amount represented our profit before income tax of approximately HK\$15.9 million, adjusted for non-cash and non-operating items, primarily include (i) depreciation of property, plant and equipment of approximately HK\$5.8 million, (ii) depreciation of right-of-use assets of approximately HK\$3.1 million, (iii) provision for impairment loss on trade receivables of approximately HK\$0.2 million, (iv) reversal of impairment loss on other receivables of approximately HK\$0.4 million, (v) provision for long service payments of approximately HK\$60,000, (vi) finance income of approximately HK\$0.4 million, and (v) finance costs of approximately HK\$0.4 million. The amount was further adjusted by changes in certain working capital accounts, primarily include: (i) decrease in trade receivables of approximately HK\$3.4 million, (ii) decrease in other receivables, deposits and prepayments of approximately HK\$0.6 million, (iii) increase in amount due to a related company of approximately HK\$0.6 million, (iv) decrease in trade payables of approximately HK\$4.2 million, (v) increase in accruals and other payables of approximately HK\$0.9 million, and (vi) decrease in contract liabilities of approximately HK\$10.5 million.

Cash flows used in investing activities

Our cash outflows from investing activities primarily consisted of purchase of property, plant and equipment. Our cash inflows from investing activities primarily consisted of proceeds from disposal of property, plant and equipment.

For the five months ended 31 May 2026, we had net cash used in investing activities of approximately HK\$1.4 million, mainly attributable to purchase of property, plant and equipment of approximately HK\$1.4 million.

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For the five months ended 31 May 2025, we had net cash used in investing activities of approximately HK\$4.2 million, mainly attributable to purchase of property, plant and equipment of approximately HK\$4.2 million.

For the year ended 31 December 2025, we had net cash used in investing activities of approximately HK\$7.5 million, mainly attributable to: (i) purchase of property, plant and equipment of approximately HK\$10.0 million; and (ii) proceeds from disposal of property, plant and equipment of approximately HK\$2.6 million.

For the year ended 31 December 2024, we had net cash generated from investing activities of approximately HK\$10.5 million, mainly attributable to purchase of property, plant and equipment of approximately HK\$10.5 million.

Cash flows used in financing activities

Our cash inflows from financing activities consisted of repayments of borrowings, repayments of purchase payables for property, plant and equipment, dividend paid, payment for principal and interest of lease liabilities, repayment to amount due to an immediate holding company, repayments to related companies and prepayments for [REDACTED].

For the five months ended 31 May 2026, we had net cash used in financing activities of approximately HK\$6.4, mainly attributable to: (i) repayments of purchase payables for property, plant and equipment of approximately HK\$2.6 million, (ii) payment for principal and interest of lease liabilities of approximately HK\$0.7 million, (iii) repayments to related companies of approximately HK\$2.0 million and (iv) prepayments for [REDACTED] of approximately [REDACTED].

For the five months ended 31 May 2025, we had net cash used in financing activities of approximately HK\$1.9 million, mainly attributable to: (i) repayments of purchase payables for property, plant and equipment of approximately HK\$0.5 million and (ii) payment for principal and interest of lease liabilities of approximately HK\$1.4 million.

For the year ended 31 December 2025, we had net cash used in financing activities of approximately HK\$7.2 million, mainly attributable to: (i) repayments of purchase payables for property, plant and equipment of approximately HK\$0.5 million, (ii) dividend paid of approximately HK\$3.0 million, (iii) payment for principal and interest of lease liabilities of approximately HK\$3.7 million, and (iv) repayment to amount due to an immediate holding company of approximately HK\$4,000.

For the year ended 31 December 2024, we had net cash used in financing activities of approximately HK\$5.4 million, mainly attributable to: (i) repayments of borrowings of approximately HK\$1.4 million, (ii) repayments of purchase payables for property, plant and equipment of approximately HK\$0.7 million, and (iii) payment for principal and interest of lease liabilities of approximately HK\$3.3 million.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations. Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

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INDEBTEDNESS

The following table sets forth the components of our indebtedness as of the dates indicated:

	As of 31 December		As of	As of
	2024	2025	31 May 2026	30 June 2026
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Current liabilities				
Lease liabilities	3,291	1,523	853	733
Purchase payables for property, plant and equipment	<u>542</u>	<u>4,921</u>	<u>5,466</u>	<u>5,619</u>
	<u>3,812</u>	<u>6,439</u>	<u>6,319</u>	<u>6,352</u>
Non-current liabilities				
Lease liabilities	1,505	—	—	—
Purchase payables for property, plant and equipment	<u>—</u>	<u>5,566</u>	<u>3,760</u>	<u>3,710</u>
	<u>1,505</u>	<u>5,566</u>	<u>3,760</u>	<u>3,710</u>
Total	<u><u>5,317</u></u>	<u><u>12,005</u></u>	<u><u>10,079</u></u>	<u><u>10,062</u></u>

Save for the bank borrowings aforementioned, during the Track Record Period and up to 30 June 2026, being the latest practicable date for the purpose of this indebtedness statement, we did not have any other bank borrowings or banking facilities. Our Directors confirmed that they are not aware of any foreseeable problem in obtaining facilities for our business should the need arises, having considered our Group is financially healthy in general.

As of 30 June 2026, save as aforesaid or as otherwise disclosed herein, our Group did not have outstanding mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, our Group had entered into certain transactions with related parties, details of which are set out in Note 25 to the Accountant's Report in Appendix I to this document.

The transactions in relation to (i) the sale of services to 168 Production of approximately HK\$2.7 million, HK\$2.9 million and HK\$2.0 million for the two years ended 31 December 2025 and the five months ended 31 May 2026, respectively, (ii) the rental income from 168 Production of approximately HK\$64,000, HK\$96,000 and HK\$40,000 for the two years ended 31 December 2025 and the five months ended 31 May 2026, respectively, (iii) the subcontracting fee to 168 Production of approximately HK\$1.4 million and HK\$2.1 million for the two years ended 31 December 2025, (iv) the management service charge from 168 Production of approximately HK\$0.2 million and HK\$0.3 million for the two years ended 31 December 2025, (v) the management service charge from Architectural Project Unit Limited of approximately HK\$0.4 million and HK\$0.4 million for the two years ended 31 December 2025, (vi) the sale of services to DeMain Culture Engineering Limited of approximately HK\$3.2 million for the year ended 31 December 2025, (vii) the subcontracting fee to DeMain Culture Engineering Limited of approximately HK\$25,000 for the year ended 31 December 2025, (viii) the sale

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of services to DeMain Culture Entertainment Limited of approximately HK\$0.3 million for the year ended 31 December 2024, and (ix) the sale of advisory service to DeMain Culture Management Limited of approximately HK\$1.4 million for the five months ended 31 May 2026, are trade in nature.

Having considered that (i) we generally charged our related parties at market price for services provided to them; (ii) our related party paid us at market rates for the lease of office premise; and (iii) our related parties charged us at market price for the subcontracting fee and management service charge, our Directors are of the view that these transactions were conducted on an arm’s length basis, and would not distort our operating results during the Track Record Period or make our historical results during the Track Record Period not reflective of our expectations of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

CAPITAL EXPENDITURES AND COMMITMENTS

Our Group incurred and paid capital expenditures of approximately HK\$11.4 million, HK\$20.2 million and HK\$2.5 million for the two years ended 31 December 2025 and the five months ended 31 May 2026, respectively. The capital expenditures were related to purchases of property, plant and equipment and were mainly funded through our internal resources.

As of 31 December 2024, 2025 and 31 May 2026, we had no significant capital commitments.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods or as of the dates indicated:

	<u>Year ended 31 December</u>		<u>Five months ended</u>
	<u>2024</u>	<u>2025</u>	<u>31 May 2026</u>
Gross profit margin ⁽¹⁾	16.4%	14.8%	19.1%
Net profit margin ⁽²⁾	8.9%	5.7%	3.6%
Return on equity ⁽³⁾	68.6%	36.3%	4.0%
Return on assets ⁽⁴⁾	19.8%	8.7%	2.1%
	<u>As of 31 December</u>		<u>As of</u>
	<u>2024</u>	<u>2025</u>	<u>31 May 2026</u>
Current ratio ⁽⁵⁾	0.6 times	0.8 times	1.2 times
Quick ratio ⁽⁶⁾	0.6 times	0.8 times	1.2 times
Gearing ratio ⁽⁷⁾	24.7%	5.9%	1.9%

Notes:

- (1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.
- (2) Net profit margin is calculated based on profit for the period divided by revenue and multiplied by 100%.
- (3) Return on equity is calculated based on profit/annualised profit for the period indicated divided by the total equity at the end of the same period and multiplied by 100%

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- (4) Return on assets is calculated based on profit/annualised profit for the period indicated divided by total assets at the end of the same period and multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities.
- (6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.
- (7) Gearing ratio is calculated based on total interest-bearing borrowings (including bank borrowings and lease liabilities) divided by total equity multiplied by 100%.

Gross profit margin and net profit margin

Please refer to “Year to Year/Period to Period Comparison of Results of Operations” in this section for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

Return on equity

Our Group’s return on equity was approximately 68.6%, 36.3% and 4.0% for the two years ended 31 December 2025 and the five months ended 31 May 2026, respectively. The decrease in return on equity was primarily due to the decrease in our profit for the year ended 31 December 2025 and the increase in our equity for the five months ended 31 May 2026.

Return on assets

Our Group’s return on assets was approximately 19.8%, 8.7% and 2.1% for the two years ended 31 December 2025 and the five months ended 31 May 2026, respectively. The decrease in return on assets was primarily due to the decrease in our profit for the year ended 31 December 2025 and the [REDACTED] incurred for the five months ended 31 May 2026.

Current ratio

Our Group’s current ratio remained stable at approximately 0.6 times, 0.8 times and 1.2 times as of 31 December 2024, 2025 and 31 May 2026, respectively.

Quick ratio

As of 31 December 2024, 2025 and 31 May 2026, our Group’s quick ratio remained stable at approximately 0.6 times, 0.8 times and 1.2 times respectively.

Gearing ratio

As of 31 December 2024, 2025 and 31 May 2026, our Group’s gearing ratio were approximately 24.7%, 5.9% and 1.9% respectively. The decrease in gearing ratio was primarily due to the decrease in lease liabilities.

DIVIDEND

Dividend distribution to our shareholders is recognised as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, we declared and distributed dividends of HK\$3.0 million in 2025.

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Our Group does not have a dividend policy or any predetermined dividend distribution ratio. The declaration of future dividends, and the amount of any dividends, will be subject to the recommendation by our Board at its discretion in accordance with our Articles of Association and will depend on a number of factors, including market conditions, our strategic plans and prospects, business opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, statutory and contractual restrictions on the payment of dividends by us and other factors that our Board considers relevant. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGES

Our Directors confirm that, save for the estimated non-recurring [REDACTED], there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2026 (being the date to which the latest combined financial statements of our Group were made up) and up to the date of this document, and there is no event since 31 May 2026 and up to the date of this document which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this document.

[REDACTED]

The total estimated [REDACTED] in connection with the [REDACTED] are approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the gross proceeds from the [REDACTED], of which approximately HK\$[REDACTED] million is directly attributable to the issue of the [REDACTED] which is expected to be accounted for as a deduction from equity upon the [REDACTED] in accordance with relevant accounting standards. The remaining estimated [REDACTED] amount to approximately HK\$[REDACTED] million, of which (i) approximately HK\$[REDACTED] million was recognised for the five months ended 31 May 2026; and (ii) approximately HK\$[REDACTED] million is expected to be recognised as expenses from 1 June 2026 and up to the [REDACTED]. Such total estimated [REDACTED] include (i) [REDACTED]-related expenses of approximately HK\$[REDACTED] million; (ii) fees and expenses of legal advisers and reporting accountant of approximately HK\$[REDACTED] million; and (iii) other fees and expenses of approximately HK\$[REDACTED] million. The [REDACTED] above are the current estimate for reference only and the final amount to be recognised to our consolidated statement of comprehensive income is subject to audit and the then changes in variables and assumptions.

DISTRIBUTABLE RESERVES

As of 31 May 2026, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves as at 31 May 2026.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to various types of financial risks in the ordinary course of business, including market risk, credit risk and liquidity risk. Details of the risks to which we are exposed to are set out in Note 3 to the Accountant’s Report set out in Appendix I to this document.

[REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For the [REDACTED] statement of adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules illustrating the effect of the [REDACTED] on the net tangible assets of our Group attributable to owners of our Company as of 31 May 2026 as if the [REDACTED] had taken place on that date, please refer to Appendix II to this document.

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DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, save as disclosed in this section and the Accountant’s Report set out in Appendix I to this document, there was no circumstance which would have given rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.