

Easy Smart Group Holdings Limited 怡俊集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 2442

SHARE OFFER

Sole Sponsor



Joint Overall Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



IMPORTANT

Important: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Easy Smart Group Holdings Limited 怡俊集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares under the Share Offer	:	102,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	10,200,000 Shares (subject to the re-allocation)
Number of Placing Shares	:	91,800,000 Shares (subject to the re-allocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$1.38 per Offer Share and expected to be not less than HK\$1.28 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	2442

Sole Sponsor



Joint Overall Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and documents available on display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 28 April 2023 and, in any event, not later than Sunday, 7 May 2023. The Offer Price will be not more than HK\$1.38 and is currently expected to be not less than HK\$1.28 unless otherwise announced. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.38 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% subject to refund if the Offer Price as finally determined should be lower than HK\$1.28.

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.28 to HK\$1.38 per Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Share Offer and/or the indicative offer price range will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.easysmart.com.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer. If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Share Offer (including the Public Offer) will lapse and will not proceed. For further details, please refer to the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. persons.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Joint Overall Coordinators (for themselves and on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

ATTENTION

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this prospectus or printed copies of the GREEN application form to the public in relation to the Public Offer.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.easysmart.com.hk. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

25 April 2023

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this prospectus or printed copies of the GREEN Application Form to the public in relation to the Public Offer.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.easysmart.com.hk. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Public Offer Shares, you may:

- (1) apply online via the **eWhite Form** Service Provider through the designated website at www.ewhiteform.com.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker or custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Public Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar and **eWhite Form** Service Provider, both at +852 2153 1688 on the following dates:

Tuesday, 25 April 2023 — 9:00 a.m. to 6:00 p.m.

Wednesday, 26 April 2023 — 9:00 a.m. to 6:00 p.m.

Thursday, 27 April 2023 — 9:00 a.m. to 6:00 p.m.

Friday, 28 April 2023 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Public Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to "How to apply for the Public Offer Shares" for further details on the procedures through which you can apply for the Public Offer Shares electronically.

IMPORTANT

Your application must be for a minimum of 2,000 Public Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

NUMBER OF PUBLIC OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

<u>No. of Public Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Public Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Public Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Public Offer Shares applied for</u>	<u>Amount payable on application</u>
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
2,000	2,787.83	20,000	27,878.35	200,000	278,783.45	2,500,000	3,484,793.26
4,000	5,575.67	30,000	41,817.52	300,000	418,175.19	3,000,000	4,181,751.90
6,000	8,363.50	40,000	55,756.69	400,000	557,566.92	3,500,000	4,878,710.56
8,000	11,151.34	50,000	69,695.86	500,000	696,958.66	4,000,000	5,575,669.20
10,000	13,939.17	60,000	83,635.04	600,000	836,350.38	4,500,000	6,272,627.86
12,000	16,727.01	70,000	97,574.21	800,000	1,115,133.85	5,100,000 ^{Note}	7,108,978.24
14,000	19,514.84	80,000	111,513.39	1,000,000	1,393,917.30		
16,000	22,302.68	100,000	139,391.74	1,500,000	2,090,875.96		
18,000	25,090.51	150,000	209,087.60	2,000,000	2,787,834.60		

Note Maximum number of Public Offer Shares you may apply for.

No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE

If there is any change for the following expected timetable of the Share Offer, we will issue an announcement on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.easysmart.com.hk.

Date^(Note 1)

Public Offer commences 9:00 a.m. on Tuesday,
25 April 2023

Latest time for completing electronic applications
under **eWhite Form** service through
the designated website www.ewhiteform.com.hk^(Note 2) 11:30 a.m. on Friday,
28 April 2023

Application lists for the Public Offer open^(Note 3) 11:45 a.m. on Friday,
28 April 2023

Latest time to give **electronic application**
instructions to HKSCC^(Note 4) 12:00 noon on Friday,
28 April 2023

Latest time for completing payment of
eWhite Form applications by effecting
PPS payment transfer(s) 12:00 noon on Friday,
28 April 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists for the Public Offer close^(Note 3) 12:00 noon on Friday,
28 April 2023

Expected Price Determination Date^(Note 5) Friday,
28 April 2023

Announcement of the final Offer Price, level of
indications of interest in the Placing, the level of
applications of the Public Offer, the basis of
allocations of the Public Offer Shares
to be published on our Company's website
at www.easysmart.com.hk and the website of
the Stock Exchange at www.hkexnews.hk on or before Monday, 8 May 2023

Announcement of results of allocations in the Public Offer
(with successful applicants' identification document
numbers, where appropriate) to be available
through a variety of channels including our Company's
website at www.easysmart.com.hk and the website
of the Stock Exchange at www.hkexnews.hk
(for further details, please refer to the section headed
"How to apply for the Public Offer Shares —
11. Publication of results" in this prospectus) on or before. Monday, 8 May 2023

EXPECTED TIMETABLE

Results of allocations in the Public Offer will be available at www.ewhiteform.com.hk/results with a “search by ID” function on Monday, 8 May 2023

Telephone enquiry for results of allocations in the Public Offer by calling +852 2153 1688 between 9:00 a.m. and 6:00 p.m. from. Monday, 8 May 2023

eWhite Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before^(Notes 7 to 10) Monday, 8 May 2023

Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or about^(Notes 6 to 8) Monday, 8 May 2023

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Tuesday, 9 May 2023

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structures of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.ewhiteform.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning, Extreme Conditions and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 28 April 2023, the application lists will not open on that day. For further details, please refer to the section headed “How to apply for the Public Offer Shares — 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists” in this prospectus.
4. Applicants who apply for the Public Offer Shares through the **CCASS EIPO** service should refer to the section headed “How to apply for the Public Offer Shares — 6. Applying through the CCASS EIPO service” in this prospectus.
5. The Price Determination Date is expected to be on or about Friday, 28 April 2023, but in any event not later than Sunday, 7 May 2023 or such later date as our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may agree. If, for any reason, the Offer Price is not agreed by Sunday, 7 May 2023 between our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.

EXPECTED TIMETABLE

6. Share certificates for the Public Offer Shares are expected to be issued on Monday, 8 May 2023 but will only become valid evidence of title at 8:00 a.m. on Tuesday, 9 May 2023 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Applicants who have applied through **eWhite Form** for 1,000,000 Public Offer Shares or more and have provided all information required on their application instructions may collect their share certificates (where applicable) personally from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, from 9:00 a.m. to 1:00 p.m. on Monday, 8 May 2023 or any other day as announced by us as the date of despatch of share certificates. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
8. Uncollected Share certificates (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant application instructions. For further information, applicants should refer to the section headed "How to apply for the Public Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this prospectus.
9. e-Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$1.38 per Offer Share. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$1.38 per Offer Share, applicants must pay the maximum Offer Price of HK\$1.38 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to apply for the Public Offer Shares" in this prospectus. If you apply through the **eWhite Form** services by paying the application monies through a single bank account, you may have e-Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **eWhite Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (www.ewhiteform.com.hk) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant provided by you. Part of your Hong Kong Identity Card number/ passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/ passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
10. Share certificates will only become valid evidence of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid evidence of title do so entirely at their own risk.

For further details of the structure and conditions of the Share Offer, you should refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the GREEN Application Form to make your investment decision. Our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the Share Offer. There are risks associated with any investment. Some of the particular risks in investing in the Share Offer are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Share Offer. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

BUSINESS OVERVIEW

Our business model

We are a subcontractor specialising in passive fire protection works in Hong Kong. Our passive fire protection works generally involve the design, selection, procurement and installation of appropriate materials and components in a building to reduce or prevent the spread and effects of fire, heat or smoke without requiring detection or activation upon detection. Examples of passive fire protection materials and components include fire rated boards, fire resistant paints and fire resistant plasters. Our Group provides passive fire protection works through our principal operating subsidiaries, namely, Easy Smart Engineering and Easy Smart Maintenance. Our Group was ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong. Our Group had a market share of approximately 6.7% of the building protection works market in Hong Kong for the year ended 30 June 2022 in terms of revenue. The passive fire protection works market is a subset of the building protection works market which in turn is a subset of the construction industry. In terms of gross value for the year ended 30 June 2022, the passive fire protection works market in Hong Kong accounted for approximately 26.1% of the building protection works market in Hong Kong and the building protection works market in Hong Kong accounted for approximately 1.5% of the overall construction works market in Hong Kong.

During the Track Record Period, our revenue was derived from passive fire protection works and passive fire protection information services. Most of our revenue was derived from the provision of passive fire protection works as a subcontractor in projects. The following table sets out a breakdown of our revenue during the years/periods indicated:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Passive fire protection works	149,985	186,175	240,145	81,039	130,934
Passive fire protection information services	8	291	320	107	114
Total	149,993	186,466	240,465	81,146	131,048

SUMMARY

Our projects

We undertake both public sector and private sector projects in Hong Kong as a subcontractor and we provide our services in projects for various types of properties including public infrastructure and facilities, commercial buildings, industrial buildings and residential buildings. Our direct customers are principally main contractors and subcontractors of projects which engage us as their passive fire protection services provider. In respect of our public sector projects, our projects were generally initiated by HK Government departments, statutory bodies or semi-government entities. In respect of our private sector projects, the ultimate project owners were property developers or other private owners. During the Track Record Period, most of our revenue was derived from projects obtained through tender.

Our projects may comprise one or more contract(s) with one or more customer(s). Different structures of a construction project may be awarded under different contracts by the main contractor and we may be engaged by different contractors to perform passive fire protection works for different structures of a construction project.

We normally group different contracts as a single project if the location of the construction sites are the same, or they form a single building or complex, even if the contracts are awarded by different customers. However, in exceptional cases when the scale and size of the structure is exceptionally large, the works are for different parts of the structure and the construction period spans across a long period, we will treat contracts in a single building or complex as being separate projects.

SUMMARY

The following table sets out a breakdown of our projects and revenue for passive fire protection works by project sectors and types of properties involved during the years/periods indicated:

	Year ended 30 June				Four months ended 31 October							
	2020		2021		2022		2022					
	No. of projects ^{Note 1}	% of total revenue	No. of projects ^{Note 1}	% of total revenue	No. of projects ^{Note 1}	% of total revenue	No. of projects ^{Note 1}	% of total revenue				
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
		%		%		%		%				
						(unaudited)						
Public												
- Public infrastructure and facilities	39	35.7	43	53.8	38	28.1	24	33,967	41.9	23	25,192	19.2
- Residential	19	31.3	19	12.7	16	18.4	8	10,649	13.2	10	8,457	6.5
Sub-total	58	67.0	62	66.5	54	46.5	32	44,616	55.1	33	33,649	25.7
Private												
- Commercial and industrial	26	7.6	21	17.5	18	33.7	12	21,116	26.1	9	90,032	68.8
- Residential	24	12.6	22	8.6	26	12.8	14	7,662	9.4	17	5,032	3.8
- Public infrastructure and facilities ^{Note 2}	1	12.9	3	7.4	5	7.0	4	7,645	9.4	4	2,221	1.7
Sub-total	51	33.0	46	33.5	49	53.5	30	36,423	44.9	30	97,285	74.3
Total	109	100.0	108	100.0	103	100.0	62	81,039	100.0	63	130,934	100.0

Notes:

- We normally group different contracts as a single project if the location of the construction sites are the same, or they form a single building or complex, even if the contracts are awarded by different customers. However, in exceptional cases when the scale and size of the structure is exceptionally large, the works are for different parts of the structure and the construction period spans across a long period, we will treat contracts in a single building or complex as being separate projects.
- Revenue derived from these private sector public infrastructure and facilities projects mainly related to two projects involving a power station where the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

SUMMARY

Our backlog

As at the Latest Practicable Date, we had 35 projects and the remaining contract value of our projects (including relevant variation orders) was approximately HK\$338.0 million.

During the Track Record Period, we shifted our focus from smaller projects to projects with larger contract sums. Accordingly, we experienced a decrease in the number of projects but an increase in the contract value of our projects (including relevant variation orders) remaining as at 30 June 2022 as compared to 30 June 2020. Taking into account the limits to our available financial resources and workforce, the tenders we submitted were less competitive in general for the year ended 30 June 2022 compared to prior years resulting in a decrease in the contract value of new projects and relevant variation orders awarded for the year ended 30 June 2022. For the movement of the number of our projects and their total contract value during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed “Business — Our projects — Movement in our backlog” in this prospectus.

We estimate that the total revenue to be recognised up to the year ending 30 June 2025 from our backlog of projects remaining as at the Latest Practicable Date is as follows:

	From the Latest Practicable Date to 30 June 2023	From 1 July 2023 to 31 December 2023	From 1 January 2024 to 30 June 2024	Year ending 30 June 2024	From 1 July 2024 to 31 December 2024	From 1 January 2025 to 30 June 2025	Year ending 30 June 2025
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estimated revenue to be recognised	62,853	215,222	55,739	270,961	4,184	-	4,184

Note: The estimated revenue to be recognised from our existing backlog for each of the above year/period was determined by our executive Directors having considered (i) the original contract sum of our existing backlog of projects and variation orders for such projects received up to the Latest Practicable Date less revenue recognised up to the Latest Practicable Date; and (ii) when our works should be practically completed with reference to the expected completion date specified in the relevant contract (if any), the initial work schedule or based on communications with our customers. Accordingly, the revenue recognised for each of the above year/period may change due to the progress of such projects and changes in project requirements (such as due to subsequent variation orders).

Our customers

Our direct customers are principally main contractors and subcontractors of projects which engage us as their passive fire protection services provider. In certain cases, we are directly engaged by the relevant private owners of the properties. During the Track Record Period, our five largest customers in each year/period included property developers and construction contractors and most of them are subsidiaries of companies listed on the Stock Exchange or other recognised stock exchanges. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest customer in each year/period accounted for approximately 21.9%, 27.3%, 22.1% and 51.3% of our

SUMMARY

total revenue, respectively, while our five largest customers in each year/period accounted for approximately 69.3%, 67.4%, 60.3% and 86.9% of our total revenue, respectively. For further details of our customers and our relationship with them, please refer to the section headed “Business — Our customers” in this prospectus.

Our suppliers

Our major suppliers are mainly subcontractors responsible for installing and applying materials, particularly passive fire protection materials, in our projects and suppliers of such materials, particularly fire rated boards, fire resistant paints, metal parts and components and precast concrete. We delegate our more labour intensive works, such as installation and application of the passive fire protection materials and components, to subcontractors.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest supplier (not being subcontractor) in each year/period accounted for approximately 9.6%, 5.7%, 5.7% and 13.5% of our total costs of services (excluding direct labour costs), respectively, while our five largest suppliers (not being subcontractors) in each year/period accounted for approximately 28.0%, 22.0%, 15.2% and 25.6% of our total costs of services (excluding direct labour costs), respectively.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, two, one, nil and one of our five largest suppliers of materials in each year/period, respectively, are associates of connected persons of our Company or deemed connected persons of our Company, namely Goldin Innovation Group, Warwick Building and Tanda International (for further details of our transactions during Track Record Period and arrangements upon the Listing, please refer to the sections headed “Business — Our suppliers — Five largest suppliers during the Track Record Period” and “Connected transactions” in this prospectus).

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest subcontractor in each year/period accounted for approximately 15.7%, 6.8%, 15.8% and 22.2% of our total costs of services (excluding direct labour costs), respectively, while our five largest subcontractors in each year/period accounted for approximately 36.6%, 30.8%, 41.7% and 46.0% of our total costs of services (excluding direct labour costs), respectively.

Overlapping of customers and suppliers

During the Track Record Period, there are instances of contra charge arrangements where our customers, being contractors in the projects, may pay on our behalf for certain expenses for such projects, whereby such expenses would be deducted from their payments to us as their subcontractor in settling their contractual fees for such projects. For further details, please refer to the section headed “Business — Contra charge arrangements with our customers which are also our suppliers” in this prospectus.

Sales and marketing and pricing strategy

Given our long established history in Hong Kong and our proven track record, we are able to obtain new projects from customers through invitations to tenders, direct invitations for quotations and referrals. During the Track Record Period, we did not conduct any significant marketing or promotional activities.

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Generally the pricing of our services is on a cost plus basis (i.e. based on an initially estimated cost at the tendering stage plus a target margin). Our pricing policy takes into account the following major factors: (i) scope of services, specifications by customers and complexity of the projects; (ii) project location and area of coverage; (iii) work schedule; (iv) our relationship with the customer; (v) the estimated costs of procuring passive fire protection materials and engaging subcontractors; (vi) prevailing market rates; and (vii) our budget and determination of a reasonable profit margin.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

The passive fire protection works industry in Hong Kong is relatively concentrated and highly competitive with approximately 500 market participants engaged in passive fire protection works but less than 100 of them specialise in such works. For the year ended 30 June 2022, the top five market participants accounted for an aggregate market share of approximately 53.6% by revenue in the passive fire protection works industry in Hong Kong. For further details of the competitive landscape, please refer to the section headed “Industry overview — Competitive landscape of passive fire protection works market” in this prospectus.

We believe the following competitive strengths contribute to our success and distinguish us from our competitors: (i) long established subcontractor for passive fire protection solutions in Hong Kong with a developed reputation and proven track record in the industry; (ii) familiarity with the specifications and usage of a wide range of passive fire protection materials and long history with suppliers of materials; (iii) strong relationships with our major customers which include large market players in the property development and construction sectors in Hong Kong; and (iv) experienced and stable senior management team and project management team. For details, please refer to the section headed “Business — Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) maintain our established position in the passive fire protection works industry and continue to tender for sizeable projects; (ii) recruit staff for our business expansion; and (iii) brand building through upgrading our online platform and upgrading the information technology system of our Group. For further details, please refer to the section headed “Business — Business strategies” in this prospectus.

RISK FACTORS

There are certain risks involved in our Group’s operations, many of which are beyond our Group’s control. Potential investors are advised to carefully read the section headed “Risk factors” in this prospectus before making any investment decision in the Share Offer. Material risks we face include: (i) we derived most of our revenue from projects awarded by our major customers and any significant decrease in the number of projects from them or a deterioration of our relationships with them may materially and adversely affect us; (ii) our revenue is mainly derived from projects which are non-recurrent in nature and obtained through tender and there is no guarantee that our customers will award us new business or that our tender success rates will not continue to decrease in the future; (iii) materially inaccurate cost estimates at the tendering stage or cost overruns may adversely affect our financial results; (iv) unsatisfactory performance

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or misconduct by our subcontractors or unavailability of our subcontractors may adversely affect our profitability and operation; and (v) our performance depends on the development of the passive fire protection works industry and significant adverse changes such as termination of favourable government policies, reduction or termination of public investments plans or downturn of Hong Kong's economy may affect us.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised and without taking into account any options which may be granted under the Share Option Scheme), Mr. Dave Ng through his holding company, Lofty Profit, will hold and in general meetings be entitled to exercise voting rights attached to Shares representing 75% of the issued share capital of our Company. Each of Mr. Dave Ng and Lofty Profit shall be regarded as our Controlling Shareholder. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth our key operational and financial data during the years/periods indicated:

Highlights of consolidated statements of comprehensive income

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	149,993	186,466	240,465	81,146	131,048
Costs of services	(109,627)	(131,915)	(178,590)	(58,267)	(96,764)
Gross profit	40,366	54,551	61,875	22,879	34,284
Profit before taxation	32,985	48,414	37,281	10,850	28,220
Income tax expense	(5,188)	(7,503)	(8,445)	(3,201)	(4,787)
Profit and total comprehensive income for the year/period	27,797	40,911	28,836	7,649	23,433
Profit and total comprehensive income for the year/period attributable to:					
Owner of our Company	27,541	40,513	28,766	7,579	23,433
Non-controlling interest	256	398	70	70	-
	27,797	40,911	28,836	7,649	23,433

Our revenue increased by approximately HK\$36.5 million or 24.3% from approximately HK\$150.0 million for the year ended 30 June 2020 to approximately HK\$186.5 million for the year ended 30 June 2021 while our revenue further increased to approximately HK\$240.5 million for the year ended 30 June 2022. Our revenue also

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increased from approximately HK\$81.1 million for the four months ended 31 October 2021 to approximately HK\$131.0 million for the four months ended 31 October 2022. The increase in the revenue for the year ended 30 June 2021 as compared to the year ended 30 June 2020 was mainly driven by the revenue contributed by certain sizeable private sector projects, particularly Project 4659, a project involving a power station at Lamma Island, which led to the increase in our revenue derived from private sector projects for the year ended 30 June 2020 and Projects 5046 and 5024, two public infrastructure projects involving temporary quarantine facilities at Penny's Bay, which led to the increase in our revenue derived from public sector projects for the year ended 30 June 2021. The increase in the revenue for the year ended 30 June 2022 as compared to the year ended 30 June 2021 was mainly driven by the revenue contributed by certain sizeable private sector projects, particularly Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong and Project 5015, a project involving a power station at Lamma Island, which led to the increase in our revenue derived from private sector projects for the year ended 30 June 2022. The increase in the revenue for the four months ended 31 October 2022 as compared to the four months ended 31 October 2021 was mainly driven by the revenue contributed by certain sizeable private sector projects, particularly Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong and Project 4979, a project at a commercial complex at an airport in Hong Kong, which led to the increase in our revenue derived from private sector projects for the four months ended 31 October 2022. For further details, please refer to the section headed "Financial information — Period-to-period comparison of results of operations" in this prospectus.

Our net profit was approximately HK\$27.8 million, HK\$40.9 million, HK\$28.8 million, HK\$7.6 million and HK\$23.4 million for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2021 and 2022, respectively. Our net profit increased from approximately HK\$27.8 million for the year ended 30 June 2020 to approximately HK\$40.9 million for the year ended 30 June 2021, representing an increase of approximately HK\$13.1 million or 47.2% mainly due to the increase in our revenue and gross profit margin from a number of sizeable projects particularly Projects 5046 and 5024, two public infrastructure projects involving temporary quarantine facilities at Penny's Bay, which involved relatively high aggregate original contract sum of approximately HK\$48.0 million with gross profit margins higher than the average gross profit margin of our Group mainly because the requirements to implement works within the relatively short timeframe. Our net profit decreased by approximately HK\$12.1 million or 29.5% from approximately HK\$40.9 million for the year ended 30 June 2021 to approximately HK\$28.8 million for the year ended 30 June 2022 mainly due to Listing expenses incurred of approximately HK\$14.2 million during the year ended 30 June 2022. Our net profit increased from approximately HK\$7.6 million for the four months ended 31 October 2021 to approximately HK\$23.4 million for the four months ended 31 October 2022, representing an increase of approximately HK\$15.8 million or 206.4% mainly due to the increase in our revenue from a number of sizeable projects particularly Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong and Project 4979, a project at a commercial complex at an airport in Hong Kong, and the relatively higher Listing expenses incurred of approximately HK\$8.3 million for the four months ended 31 October 2021 as compared to approximately HK\$3.0 million for the four months ended 31 October 2022.

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Highlights of our consolidated statements of financial position

	As at 30 June			As at 31 October
	2020	2021	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	3,054	2,615	7,152	6,548
Current assets	75,152	107,940	117,991	151,929
Current liabilities	41,047	31,241	25,623	35,924
Net current assets	34,105	76,699	92,368	116,005
Total assets less current liabilities	37,159	79,314	99,520	122,553
Non-current liabilities	541	7,785	1,143	743
Net assets	36,618	71,529	98,377	121,810
Non-controlling interest	303	641	–	–

Our net current assets increased from approximately HK\$34.1 million as at 30 June 2020 to approximately HK\$76.7 million as at 30 June 2021 mainly due to the combined effects of (i) the increase in our bank balances and cash, which was broadly in line with our Group's increased profit and total comprehensive income for the year; (ii) the increase in our trade receivables; (iii) the increase in our contract assets; and (iv) the decrease in our trade and other payables. Our net current assets increased from approximately HK\$76.7 million as at 30 June 2021 to approximately HK\$92.4 million as at 30 June 2022 and to approximately HK\$116.0 million as at 31 October 2022. Such increase was mainly due to our business growth and profitable operation during the year ended 30 June 2022 and the four months ended 31 October 2022. For further details, please refer to the section headed "Financial information — Net current assets" in this prospectus.

Our net assets increased from approximately HK\$36.6 million as at 30 June 2020 to approximately HK\$71.5 million as at 30 June 2021 mainly due to the increase in our net profit from the year ended 30 June 2020 to the year ended 30 June 2021 which was partially offset by the dividends declared by Easy Smart Engineering of approximately HK\$6.0 million for the year ended 30 June 2021. Our net assets increased from approximately HK\$71.5 million as at 30 June 2021 to approximately HK\$98.4 million as at 30 June 2022 mainly due to our retained profits as at 30 June 2022 arising from our profit for the year ended 30 June 2022 of approximately HK\$28.8 million. Subsequently, our net assets increased from approximately HK\$98.4 million as at 30 June 2022 to approximately HK\$121.8 million as at 31 October 2022 mainly due to our retained profits as at 31 October 2022 arising from our profit for the four months ended 31 October 2022 of approximately HK\$23.4 million.

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Highlights of consolidated statements of cash flows

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Net cash from (used in) operating activities	7,352	14,650	13,220	(7,338)	33,579
Net cash (used in) from investing activities	(778)	(140)	(3,035)	40	(20)
Net cash (used in) from financing activities	(41,207)	1,437	(16,446)	(4,528)	(1,198)
Net (decrease) increase in cash and cash equivalents	(34,633)	15,947	(6,261)	(11,826)	32,361
Cash and cash equivalents at beginning of the year/period	60,029	25,396	41,343	41,343	35,082
Cash and cash equivalents at end of the year/period	<u>25,396</u>	<u>41,343</u>	<u>35,082</u>	<u>29,517</u>	<u>67,443</u>

We experienced a net cash outflow for the years ended 30 June 2020 and 2022 and the four months ended 31 October 2021. The net cash outflow for the year ended 30 June 2020 was mainly due to dividend paid of approximately HK\$24.4 million and repayment to the non-controlling shareholder of a subsidiary, Ms. Lim, of approximately HK\$12.9 million during that year. The net cash outflow for the year ended 30 June 2022 was mainly due to repayment of bank borrowings of approximately HK\$9.7 million during that year. The net cash outflow for the four months ended 31 October 2021 was mainly due to the net operating cash outflow during this period.

We experienced net operating cash outflow for the four months ended 31 October 2021 mainly due to the increase in trade and other receivables, deposits and prepayments of approximately HK\$23.2 million during this period which was primarily attributable to the substantial amount of trade receivables of approximately HK\$18.0 million for Project 4539, a public infrastructure and facilities project involving a sports park at Kai Tak, and approximately HK\$6.3 million for Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong, was billed by our Group in September and October 2021 near the end of the four months ended 31 October 2021 but was received after 31 October 2021.

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Key financial ratio

	For the year ended 30 June 2020 or as at 30 June 2020	For the year ended 30 June 2021 or as at 30 June 2021	For the year ended 30 June 2022 or as at 30 June 2022	For the four months ended 31 October 2022 or as at 31 October 2022
Revenue growth	N/A	24.3%	29.0%	61.5%
Net profit growth	N/A	47.2%	-29.5%	206.4%
Gross profit margin	26.9%	29.3%	25.7%	26.2%
Net profit margin	18.5%	21.9%	12.0%	17.9%
Return on equity	75.2%	56.6%	29.2%	19.2%
Return on total assets	35.5%	37.0%	23.0%	14.8%
Current ratio	1.8 times	3.5 times	4.6 times	4.2 times
Quick ratio	1.8 times	3.5 times	4.6 times	4.2 times
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	23.9 days	28.4 days	22.9 days	14.3 days
Trade payables turnover days	22.3 days	30.9 days	19.4 days	17.0 days
Gearing ratio	7.0%	15.0%	2.5%	1.6%
Net debt to equity ratio	N/A	N/A	N/A	N/A
Interest coverage	1,833.5 times	462.1 times	108.7 times	1,176.8 times

Our Group's overall gross profit margin for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, was approximately 26.9%, 29.3%, 25.7% and 26.2%, respectively. Our gross profit margin increased during the Track Record Period due to differences in gross profit margin for certain sizeable projects. Our gross profit margin was higher for the year ended 30 June 2021 mainly due to Projects 5046 and 5024 as discussed above which involved relatively high aggregate original contract sum of approximately HK\$48.0 million and relatively short duration of works.

For a breakdown of gross profit and gross profit margin of our projects by project segments and property types during the Track Record Period, and general factors affecting our Group's pricing strategy and the impact on the gross profit margins for our major projects, please refer to the sections headed "Business — Pricing policy and credit management — Pricing policy" and "Financial information — Principal components of results of operations — Gross profit and gross profit margin" in this prospectus.

The credit period that we granted to our customers generally ranged from 14 days to 60 days from the date of invoice. Our trade receivables turnover days increased from approximately 23.9 days for the year ended 30 June 2020 to approximately 28.4 days for the year ended 30 June 2021, decreased to approximately 22.9 days for the year ended 30 June 2022 and further decreased to approximately 14.3 days for the four months ended 31 October 2022. The trade receivables turnover days for the Track Record Period were generally in line with our credit term that we granted to our customers.

Our suppliers and subcontractors usually grant us a credit period of 30 days to 60 days or otherwise require payment upon delivery. Our trade payables turnover days increased from approximately 22.3 days for the year ended 30 June 2020 to approximately 30.9 days for the year ended 30 June 2021, decreased to approximately 19.4 days for the year ended 30 June 2022 and further decreased to approximately 17.0 days for the four months ended 31 October 2022, which mainly reflected the different amounts of works done and billed by our subcontractors as well as different amounts of materials purchased by us from our suppliers of materials near the end of each year/period.

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Our gearing ratio was approximately 7.0%, 15.0%, 2.5% and 1.6% as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively. The gearing ratio increased from approximately 7.0% as at 30 June 2020 to approximately 15.0% as at 30 June 2021 mainly due to our new bank borrowings raised in the year ended 30 June 2021 and substantially decreased to approximately 2.5% and 1.6% as at 30 June 2022 and 31 October 2022, respectively, mainly due to the full repayment of bank borrowings in June 2022.

RECENT DEVELOPMENTS

After the Track Record Period and up to the Latest Practicable Date, our business operations remain stable in general. As at the Latest Practicable Date, we had 35 projects in progress and estimate that the total revenue to be recognised from our backlog of projects remaining as at the Latest Practicable Date is approximately HK\$62.9 million, HK\$271.0 million and HK\$4.2 million for the period from the Latest Practicable Date to 30 June 2023 and the years ending 30 June 2024 and 2025, respectively.

For the period from 1 November 2022 to the Latest Practicable Date, we recorded a tender success rate of approximately 3.2%. Our tender success rates may continue to decline until our financial resources and workforce capacity for undertaking new contracts improve after Listing such that we can submit more competitive tenders.

Impact of COVID-19

The effect of COVID-19 on the passive fire protection works market was short term and limited. The passive fire protection works market is set to gradually regain its momentum in the long run due to (i) the regular renovation of passive fire protection system in residential, commercial and industrial buildings being stable in nature; and (ii) a stable pipeline of construction projects in the residential, commercial and industrial sectors, especially the planned production of public residential units and surrounding auxiliary facilities. The market size of the passive fire protection works industry is expected to reach approximately HK\$1,247.4 million in 2026, representing a CAGR of approximately 6.1% from 2022 to 2026.

Our executive Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there were no project cancellations due to the COVID-19 outbreak and our Group did not experience any significant delays or suspensions in our projects due to the COVID-19 outbreak which resulted in a material adverse effect on the business or financial condition of our Group.

Due to the resurgence of the COVID-19 pandemic in the PRC in early 2022, lockdown measures were imposed in various parts of the PRC, Shanghai in particular, leading to a temporary disruption in the supply of raw materials from the PRC. We experienced a temporary delay from around April 2022 to May 2022 in the deliveries by certain suppliers with operations in or sourcing from the PRC for certain passive fire protection materials and metal parts and components. Our executive Directors consider that the temporary disruption to the supply of the aforesaid raw materials did not have long-lasting material adverse impact on our operation taking into consideration that to the best of their knowledge, information and belief (i) the impact was limited to Projects 5161, 5015, 4876 and 4686; (ii) the supply of affected raw materials has begun to return to normal levels since June 2022 and our Group did not experience further disruption in the supply of such materials since then and up to the Latest Practicable Date; (iii) for these

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four projects which were affected by the disruption in the supply of such materials, our Company engaged logistic services providers to assist with the cross-border transportation of materials to minimise the impact of such disruption on the progress of our works for such projects when considered necessary; (iv) our customers for the four affected projects did not allege that we breached our contracts due to such disruptions in supply and we were not subject to liabilities nor did we pay any liquidated damages to our customers as a result of such disruptions in supply to the affected projects; and (v) as confirmed by our Company, there is no delay in the overall schedule for these four projects as we were able to catch up to the schedule up to the Latest Practicable Date, and accordingly, our executive Directors are of the view that the risk that our customers for these projects will claim against our Group for the delay in such projects due to the aforesaid disruptions is remote.

No material adverse change

Our Directors confirmed that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 October 2022 (being the date to which the latest audited consolidated financial statements of our Group were made up), and there had been no events since 31 October 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus.

OFFERING STATISTICS

	Based on an Offer Price of HK\$1.28 per Offer Share	Based on an Offer Price of HK\$1.38 per Offer Share
Market capitalisation of our Shares ^(Note 1)	HK\$522.2 million	HK\$563.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(Note 2)	HK\$0.56	HK\$0.58

Notes:

- (1) The calculation of market capitalisation is based on 408,000,000 Shares expected to be in issue immediately following the completion of the Share Offer and the Capitalisation Issue without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme.
- (2) Please refer to Appendix II to this prospectus for the bases and assumptions in calculating these figures.

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LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$41.8 million. Based on an Offer Price of HK\$1.33 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.28 per Offer Share to HK\$1.38 per Offer Share) and assuming the Over-allotment Option is not exercised, the gross proceeds from the Share Offer are expected to be approximately HK\$135.7 million. Assuming the full payment of the discretionary incentive fee to the Underwriters, the estimated expenses in relation to the Listing represents approximately 30.8% of the gross proceeds from the Share Offer, comprising of approximately HK\$8.1 million in underwriting-related expenses (including underwriting commission and joint overall coordinators' fee) and approximately HK\$33.7 million in non-underwriting-related expenses, which are further categorised into fees and expenses of legal advisers and the reporting accountants of approximately HK\$17.6 million, and other fees and expenses (including the Sole Sponsor's fee) of approximately HK\$16.1 million. Out of the estimated Listing expenses of approximately HK\$41.8 million, approximately HK\$16.8 million is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately HK\$25.0 million, which cannot be so deducted, shall be charged to profit or loss and other comprehensive income, of which approximately HK\$14.2 million and HK\$3.0 million was charged for the year ended 30 June 2022 and the four months ended 31 October 2022, respectively, while the balance of approximately HK\$7.8 million is expected to be charged for the year ending 30 June 2023. All of our Listing expenses are expected to be recognised for the year ended 30 June 2022 and the year ending 30 June 2023 given that all of the professional parties engaged in relation to the Listing were appointed after 30 June 2021 and taking into account the completion of the Listing by the Listing Date, thus the expenses in connection with their appointments are expected to be recognised during those financial years. Expenses in relation to the Listing are non-recurring in nature.

FUTURE PLANS AND USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK\$93.9 million from the Share Offer, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Share Offer, assuming an Offer Price of HK\$1.33 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use such net proceeds from the Share Offer for the following purposes: (i) approximately 72.8% (approximately HK\$68.3 million), for financing the up-front costs of our earmarked projects and potential variation orders of our Group's projects; (ii) approximately 9.8% (approximately HK\$9.2 million), for increasing our headcount; (iii) approximately 7.4% (approximately HK\$7.0 million), for upgrading the information technology system of our Group, including our online platform for information on passive fire protection by investing in hardware and software; and (iv) approximately 10.0% (approximately HK\$9.4 million) will be reserved as our general working capital. For details, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

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DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, Easy Smart Engineering declared dividends for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, of approximately HK\$64.1 million, HK\$6.0 million, nil and nil, respectively, to its then shareholders, of which approximately HK\$24.4 million, HK\$6.0 million, nil and nil, respectively were paid. The remaining dividends declared of approximately HK\$39.7 million for the year ended 30 June 2020 were offset against the amounts due from the then shareholders, Mr. Dave Ng and Ms. Lim. The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors and applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. For details, please refer to the section headed “Financial information — Dividend” in this prospectus.

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in certain historical non-compliance incidents including late filing of profits tax returns and failing to inform the IRD for profits tax chargeable. For further details, please refer to the section headed “Business — Non-compliance” in this prospectus.

LITIGATIONS AND CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been involved in a number of litigations and potential claims in the ordinary and usual course of our business. As at the Latest Practicable Date, we were involved in three ongoing civil litigation against our Group in relation to employees’ compensation and common law personal injuries claim. For further details, please refer to the section headed “Business — Litigations and potential claims” in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

“Accountants’ Report”	the accountants’ report of our Group, the text of which is set out in Appendix I to this prospectus
“AFRC”	Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 12 April 2023 and with effect from the Listing Date and as amended, supplemented and/or otherwise modified from time to time, a summary of which is set forth in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“Business Day(s)” or “business day(s)”	any day on which licensed banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 305,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “History, Reorganisation and corporate structure” in this prospectus
“Capital Market Intermediaries”	the capital market intermediaries as named in the section headed “Directors and parties involved in the Share Offer” in this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)

DEFINITIONS

“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS EIPO”	the application for the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf; or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be an individual or joint individuals or corporation(s)
“CCASS Operational Procedures”	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“Chairman”	chairman of our Board
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Companies (Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“Company” or “our Company”	Easy Smart Group Holdings Limited (怡俊集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 September 2021 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 November 2021
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)” or “our Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Lofty Profit and Mr. Dave Ng
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, supplemented and/or otherwise modified from time to time
“COVID-19”	COVID-19 virus, a coronavirus identified as the cause of an outbreak of respiratory illness that was first detected in late 2019

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 12 April 2023 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries), particulars of which are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 12 April 2023 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertakings” in this prospectus
“Director(s)” or “our Directors”	the director(s) of our Company
“Dongguan Gangjin”	Dongguan Gangjin Smart Equipment Limited* (東莞市港進智能設備有限公司), a company established in the PRC with limited liability, which Mr. Dave Ng was one of its shareholders and directors prior to its deregistration
“Dongguan Tanda”	Dongguan Tanda Co., Ltd. (東莞市天達五金有限公司), a company established in the PRC with limited liability on 26 June 2019, owned as to 99% by Goldin Innovation and the remaining 1% by an Independent Third Party
“Easy Smart Engineering”	Easy Smart Engineering Limited (怡俊工程有限公司), a company incorporated in Hong Kong with limited liability on 6 June 2001 and an indirect wholly-owned subsidiary of our Company
“Easy Smart (Macau)”	Easy Smart (Macau) Engineering Limited (怡俊(澳門)工程有限公司), a company incorporated in Macau with limited liability, which Mr. Dave Ng was one of its shareholders and directors prior to its dissolution
“Easy Smart Maintenance”	Easy Smart Maintenance Engineering Limited (怡俊維修工程有限公司), a company incorporated in Hong Kong with limited liability on 4 June 2009 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“E-Build Technology”	E-Build Technology Limited (利築科技有限公司), a company incorporated in Hong Kong with limited liability on 19 June 2020 and an indirect wholly-owned subsidiary of our Company
“electronic application instruction(s)”	instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Offer Shares
“eWhite Form(s)”	the application form(s) for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designate website of eWhite Form at www.ewhiteform.com.hk
“eWhite Form Service Provider”	the eWhite Form service provider designated by our Company as specified on the designated website at www.ewhiteform.com.hk
“Extreme Conditions”	any extreme conditions or events, the occurrence of which causes interruption to ordinary course business operations in Hong Kong where an announcement may be made by the HK Government according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019
“financial year”	financial year of our Company ended or ending 30 June
“Frost & Sullivan”	Frost & Sullivan International Limited, an Independent Third Party market research and consulting company
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended, supplemented and/or otherwise modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Golden Phoenix”	Golden Phoenix Engineering Limited (寶鸞工程有限公司) (formerly known as Easy Smart (E & M) Engineering Company Limited (怡俊機電工程有限公司)), a company incorporated in Hong Kong with limited liability on 4 March 2005 and wholly owned by an Independent Third Party

DEFINITIONS

“Goldin Innovation”	Goldin Innovation Development Company Limited (科研科技發展有限公司), a company incorporated in Hong Kong with limited liability on 16 March 2016, owned as to 20% by Mr. Dave Ng and 80% by three Independent Third Parties
“Goldin Innovation Group”	Goldin Innovation and its subsidiary(ies) including Dongguan Tanda
“Greatec Engineering”	Greatec Engineering Limited (佳捷工程有限公司), a company incorporated in Hong Kong with limited liability on 20 September 2004, owned as to 70% by Mr. Johnny Ng (brother of Mr. Dave Ng and Mr. Vincent Ng) and 30% by an Independent Third Party
“GREEN Application Form(s)”	the application form(s) to be completed by the eWhite Form Service Provider
“Group”, “we”, “us” or “our Group”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, our Company’s Hong Kong branch share registrar and transfer office

DEFINITIONS

“Hong Kong dollars”, “HKD” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Legal Advisers”	Loong & Yeung, the legal advisers to our Company as to the Hong Kong laws
“Hope Way Metal”	Hope Way Metal Works & Water Pipes Company Limited (合威鐵器及水管有限公司), a company incorporated in Hong Kong with limited liability on 23 May 2017, owned as to 75% by Kwok Chu Kay (an Independent Third Party and existing employee of our Group) and 25% by two other Independent Third Parties
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial shareholders of our Company or any of its subsidiaries, or any of their respective associates
“Independent Valuer”	APAC Asset Valuation and Consulting Limited, an independent valuer
“Industry Report”	an independent market research report commissioned by our Company on the Hong Kong passive fire protection works market and prepared by Frost & Sullivan
“Internal Control Consultant”	BT Corporate Governance Limited, an independent internal control consultant
“IRD”	Inland Revenue Department, a department of the HK Government
“IRO”	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)
“Joint Bookrunners” or “Joint Lead Managers”	Head & Shoulders Securities Limited, Grande Capital, CMBC Securities Company Limited, BOCOM International Securities Limited, Astrum Capital Management Limited, Eddid Securities and Futures Limited and Maxa Capital Limited

DEFINITIONS

“Joint Overall Coordinators”	Grande Capital and Head & Shoulders Securities Limited
“Latest Practicable Date”	15 April 2023, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Listing”	the listing of our Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, 9 May 2023, on which dealings in our Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time
“Lofty Profit”	Lofty Profit Investments Limited (鼎潤投資有限公司), a company incorporated in the BVI with limited liability on 2 July 2021, which is wholly-owned by Mr. Dave Ng and is one of our Controlling Shareholders
“Main Board”	the Main Board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 12 April 2023 and with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus as amended, supplemented or otherwise modified from time to time
“Mr. Dave Ng”	Mr. Ng Wing Woon Dave (吳榮煥) (also known as Mr. Ng Wing Woon (吳榮煥)), an executive Director, one of our Controlling Shareholders and the brother of Mr. Vincent Ng (an executive Director)
“Mr. Johnny Ng”	Mr. Ng Wing Chi Johnny (吳榮智), the brother of Mr. Dave Ng and Mr. Vincent Ng (each being an executive Director)

DEFINITIONS

“Mr. Vincent Ng”	Mr. Ng Wing Shing (吳榮盛), an executive Director and the brother of Mr. Dave Ng (an executive Director)
“Ms. Lim”	Ms. Lim Ming Ngar (林明雅), the mother of Mr. Dave Ng and Mr. Vincent Ng (each being an executive Director)
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) of not more than HK\$1.38 and expected to be not less than HK\$1.28 per Offer Share, to be agreed between our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date
“Offer Share(s)”	102,000,000 Shares being offered by our Company for subscription at the Offer Price under the Share Offer, together with, where relevant, additional new Shares that may be allotted pursuant to the exercise of the Over-allotment Option set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus
“On Thrive Holdings”	On Thrive Holdings Limited (安旺控股有限公司), a company incorporated in the BVI with limited liability on 2 July 2021, and an indirect wholly-owned subsidiary of our Company
“Over-allotment Option”	the options expected to be granted by our Company under the Placing Underwriting Agreement to the Placing Underwriters, exercisable by the Joint Overall Coordinators (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 15,300,000 additional Shares at the Offer Price, representing approximately 15% of the initial number of Offer Shares offered under the Share Offer, at the Offer Price to cover the over-allocations (if any) in the Placing, as described in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“person”	any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price in Hong Kong, as further described in the section headed “Structure and conditions of the Share Offer — The Placing” in this prospectus
“Placing Shares”	the 91,800,000 Offer Shares initially being offered for subscription at the Offer Price under the Placing and such additional new Shares which may be allotted and issued pursuant to the Over-allotment Option (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the underwriters that are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around the Price Determination Date among our Company, our Controlling Shareholders, Mr. Dave Ng and Mr. Vincent Ng (as executive Directors), the Sole Sponsor, the Joint Overall Coordinators, and the Placing Underwriters relating to the Placing
“PRC Legal Advisers”	Shanghai Wen Fei Yong Law Firm, the legal advisers to our Company as to the PRC laws
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price

DEFINITIONS

“Price Determination Date”	the date on which the final Offer Price is to be determined by our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters), which is expected to be on or about Friday, 28 April 2023, or such later date as may be agreed between our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) but in any event no later than Sunday, 7 May 2023
“Public Offer”	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and the GREEN Application Form, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 10,200,000 Offer Shares being initially offered by us for subscription at the Offer Price under the Public Offer (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer, whose name(s) are set out in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 24 April 2023 entered into among our Company, our Controlling Shareholders, Mr. Dave Ng and Mr. Vincent Ng (as executive Directors), the Sole Sponsor, the Joint Overall Coordinators, and the Public Offer Underwriters relating to the Public Offer
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus
“Rise Nation”	Rise Nation Global Limited (振邦環球有限公司), a company incorporated in the BVI with limited liability on 2 July 2021, and a direct wholly-owned subsidiary of our Company

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Shanghai Yijun”	Shanghai Yijun Building Materials Co., Ltd. (上海怡俊建材有限公司), a company established in the PRC with limited liability on 4 May 2008 and Mr. Dave Ng was its sole director and legal representative
“Share(s)”	ordinary share(s) with a nominal or par value of HK\$0.01 each in the share capital of our Company, which are to be listed on the Stock Exchange and traded in Hong Kong dollars
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 12 April 2023, the principal terms of which are summarised in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus
“SME-FRS”	the Hong Kong Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA
“Sole Sponsor” or “Grande Capital”	Grande Capital Limited (均富融資有限公司), the sole sponsor for the Listing and a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Stabilising Manager”	Head & Shoulders Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Lofty Profit and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 15,300,000 Shares to cover any over-allocations in the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, for the purpose of this prospectus, refers to our Shareholders disclosed in the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
“Tanda International”	Tanda International Company Limited (天達科技國際有限公司), a company incorporated in Hong Kong with limited liability on 7 April 2004, owned as to 70% by Mr. Ng Ching Ho (father of our executive Directors, Mr. Dave Ng and Mr. Vincent Ng) and 30% by an Independent Third Party
“Total Wisdom”	Total Wisdom Developments Limited (全慧發展有限公司), a company incorporated in the BVI with limited liability on 12 July 2021, and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the financial years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S. dollars”, “USD” or “US\$”	U.S. dollars, the lawful currency of the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“U.S.” or “United States”	the United States of America

DEFINITIONS

“Warwick Building”	Warwick Building Material Limited (和益建材有限公司), a company incorporated in Hong Kong with limited liability on 9 September 2005, owned as to 50% by Mr. Ng Ching Ho (father of our executive Directors, Mr. Dave Ng and Mr. Vincent Ng) and 50% by an Independent Third Party
“%”	per cent

Unless expressly stated or the context requires otherwise:

- all dates and times in this prospectus refer to Hong Kong time;
- all data in this prospectus is as of the Latest Practicable Date;
- all references to any shareholdings in our Company assume no exercise of the Over-allotment Option; and
- for ease of reference, the names of the PRC established companies and entities have been included in this prospectus in both Chinese and English. The name in Chinese is the official name of each such company, entity, law or regulation (as the case may be), while that in English is only an unofficial translation, and in the event of any inconsistency, the Chinese name shall prevail.

* *For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

“active fire protection works”	installation, maintenance, alteration and addition of systems and equipment that are placed as additions to a building structure which require manual or programmed effort to trigger
“Buildings Department”	the Buildings Department of the HK Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CAGR”	compound annual growth rate
“Census and Statistics Department”	Census and Statistics Department of the HK Government
“Construction Industry Council”	the Construction Industry Council in Hong Kong, a statutory body established on 1 February 2007 pursuant to the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
“HK Government”	the government of Hong Kong
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing

GLOSSARY OF TECHNICAL TERMS

“Modular Integrated Construction” or “MiC”	a construction method whereby free-standing integrated modules (completed with finishes, fixtures and fittings) are manufactured in a prefabrication factory and then transported to site for installation in a building
“passive fire protection works”	design, supply, installation, maintenance, alteration and addition of various fire protection materials and components that prevent fire development and spread
“private sector projects”	works contracts that are not public sector projects
“public sector projects”	works contracts that originate from the HK Government, statutory bodies or semi-government bodies
“quotation”	the type of contracts with customers secured by request for quotation from customers
“sq.ft.”	square feet
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk factors”, “Industry overview”, “Business”, “Financial information” and “Future plans and use of proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans to achieve these strategies;
- our future business development, financial condition and results of operation;
- our capital expenditure and expansion plans;
- our dividend policy;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain good relationships with business partners;
- our ability to identify and successfully take advantage of new business development opportunities;
- general economic, political and business conditions in the industry and markets in which we operate;
- the regulatory environment and industry outlook for the industry and markets in which our Group operates;
- the actions and development of our competitors; and
- our views with respect to future events, operations or performance.

FORWARD-LOOKING STATEMENTS

The words “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations in Hong Kong relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong;
- macroeconomic policies of the HK Government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk factors” in this prospectus.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Offer Shares. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment. This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this prospectus. Factors that could contribute to such differences are set out below as well as in other parts in this prospectus.

RISKS RELATING TO OUR BUSINESS

We derived most of our revenue during the Track Record Period from projects awarded by our major customers and any significant decrease in the number of projects from them or a deterioration of our relationships with them may materially and adversely affect us

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, we served 49, 46, 41 and 28 customers, respectively. However, we generally derived a significant proportion of our revenue from our major customers. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest customer in each year/period accounted for approximately 21.9%, 27.3%, 22.1% and 51.3% of our total revenue, respectively, and our five largest customers in each year/period accounted for approximately 69.3%, 67.4%, 60.3% and 86.9% of our total revenue, respectively. For further details, please refer to the section headed "Business — Our customers" in this prospectus.

We were engaged by our customers on a project-by-project basis during the Track Record Period. There is no assurance that we will continue to obtain contracts from our major customers and that we will be able to maintain our relationships with them in the future. If there is a significant decrease in the number of projects awarded by our major customers, our relationships with them deteriorate and we are unable to secure suitable projects of comparable size, quantity or gross profit margin as replacements from other customers, our financial condition and operating results may be materially and adversely affected.

Our revenue is mainly derived from projects which are non-recurrent in nature and obtained through tender and there is no guarantee that our customers will award us new business or that our tender success rates will not continue to decrease in the future

Our revenue is typically derived from projects which are non-recurrent in nature and our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through tender. There is no assurance that we will be able to secure new contracts in the future. Accordingly, the number and

RISK FACTORS

scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

For the years ended 30 June 2020, 2021 and 2022, the four months ended 31 October 2022 and the period from 1 November 2022 to the Latest Practicable Date, we recorded a tender success rate of approximately 11.7%, 16.4%, 7.6%, 2.1% and 3.2%, respectively. Our relatively lower success rate for the year ended 30 June 2022 and the four months ended 31 October 2022 was mainly because we were awarded fewer contracts as tenders we submitted were less competitive in general compared to prior years with the limits to our available financial resources and workforce. Our executive Directors consider that our tender success rate depends on a range of factors, which primarily include our tender strategy, our pricing policy, level of competition in the market and our customers' evaluation standards. There is no assurance that our tender success rates will not continue to decrease in the future as they did during the Track Record Period. In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business, financial position and prospects of our Group could be materially and adversely affected.

Materially inaccurate cost estimates at the tendering stage or cost overruns may adversely affect our financial results

When determining the pricing of our services for the purpose of tenders or quotations, our management takes into account the following major factors: (i) scope of services, specifications by customers and complexity of the projects; (ii) project location and area of coverage; (iii) work schedule; (iv) our relationship with the customer; (v) the estimated costs of procuring materials and engaging subcontractors; (vi) prevailing market rates; and (vii) our budget and determination of a reasonable profit margin. For further details on our pricing policy, please refer to the section headed "Business — Pricing policy and credit management — Pricing policy" in this prospectus.

There is no assurance that the actual amount of time and costs incurred during the implementation stage of our projects would not exceed our initial estimations of the costs of our projects at the tendering stage particularly as a result of any variation orders requested by our customers during the course of our projects. Although the pricing of our services is on a cost plus basis (i.e. based on an initially estimated cost at the tendering stage plus a target margin), the actual amount of time and costs incurred during the implementation stage may still be adversely affected by many factors, including changes in designs, delays due to the work of other contractors involved in our projects, unforeseen site conditions, adverse weather conditions, accidents, non-performance by our subcontractors, unexpected significant increase in costs of materials agreed to be borne by us, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project at the tendering stage may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

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Unsatisfactory performance or misconduct by our subcontractors or unavailability of subcontractors may adversely affect our profitability and operation

We engage subcontractors in carrying out all of the more labour intensive works, including the installation and application of passive fire protection materials and components. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our subcontracting fees amounted to approximately HK\$55.5 million, HK\$59.7 million, HK\$95.5 million and HK\$52.3 million, respectively, representing approximately 50.6%, 45.2%, 53.5% and 54.1% of our total costs of services, respectively. There is no guarantee that the quality of work of our subcontractors can always meet our requirements, or that they will always strictly follow all of our instructions and not engage in misconduct. We may not be able to monitor the performance of our subcontractors as directly and efficiently as we do with our own staff. We may be affected by the non-performance, incomplete, inappropriate or poor quality of work rendered by our subcontractors. Such events could impact our profitability, financial performance and reputation. Based on the terms of the contracts with our customers, we may also be fined or penalised for the improper actions of the workers of our subcontractors. In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors if our subcontractors cease business. In such an event and if we are unavailable to find suitable alternative subcontractors with terms acceptable to us, our operation and financial position may be materially and adversely affected.

We depend on our suppliers for materials used in our projects, and any shortage or delay of supply, or deterioration in quality of the same could materially and adversely affect our operations

We rely on our suppliers for stable and timely delivery of quality passive fire protection materials used in our projects such as fire resistant paints and fire rated boards. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our costs of materials amounted to approximately HK\$43.4 million, HK\$58.0 million, HK\$66.4 million and HK\$34.9 million, representing approximately 39.6%, 44.0%, 37.2% and 36.0% of our total costs of services, respectively. There are some popular brands of passive fire protection materials in the industry and the use of certain brands or a suitable alternative may be required in our contracts with customers. The popularity of certain brands of such materials may change based on among others, whether the specifications of such materials comply with future fire safety requirements and standards adopted in the construction industry in Hong Kong or as required by the Buildings Department.

Except for a master purchase agreement with our connected persons and deemed connected persons as disclosed in the section headed “Connected transactions” in this prospectus, we do not normally enter into any long-term agreements with our suppliers of materials and generally do not maintain inventory. We may need to maintain our relationship with existing suppliers and build relationships with new suppliers to secure a supply of passive fire protection materials that would satisfy future fire safety requirements and standards or otherwise be well received in Hong Kong and would have similar or better quality than the existing products used by us. In addition, some of our

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suppliers are based outside of Hong Kong and in our executive Directors' experience, when some of our suppliers of fire resistant paints are out of stock in Hong Kong, it could take a few months for them to deliver our order. If we are unable to secure passive fire protection materials used in our projects, especially those popular brands that are requested by our customers, or build and maintain our relationships with suppliers, or if there is any shortage or material delay in delivery by our suppliers, we may fail to complete our projects on time or at all. As a result, we may be required to pay our customers liquidated damages or other penalties. We cannot guarantee that we will be able to identify suitable alternative sources of supply for materials in a timely manner, that are acceptable to our customers and have acceptable quality. Even if we are successful, there is also no guarantee that we will be able to purchase such passive fire protection materials at prices acceptable to our customers. If such events were to occur, our business, reputation, financial results and prospects may be materially and adversely affected.

If there is any deterioration in the quality of materials from our suppliers, and we are unable to identify suitable alternative sources of materials with reasonable prices in a timely manner, the progress and quality of our works may be materially and adversely affected, thereby damaging our business, reputation and materially and adversely affecting our financial results and prospects as well.

Our historical revenue, gross profit and gross profit margin may not be indicative of our future performance

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our revenue amounted to approximately HK\$150.0 million, HK\$186.5 million, HK\$240.5 million and HK\$131.0 million, respectively, our gross profit was approximately HK\$40.4 million, HK\$54.6 million, HK\$61.9 million and HK\$34.3 million, respectively, while our gross profit margin was approximately 26.9%, 29.3%, 25.7% and 26.2%, respectively. However, the historical financial information of our Group may not necessarily reflect our financial performance in the future, which will depend on our capability to secure new business opportunities and to control our costs. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period.

There is an inherent risk in using our historical financial information to project our future financial performance, as there may not necessarily be any correlation one way or the other, or may only reflect on our past performance under certain conditions. Our future performance will depend on, among others, our ability to secure new contracts, control our costs, market conditions in Hong Kong, and competition among contractors. Any negative changes to the above may reduce the number of projects awarded to us and/or limit the profit margin of our projects. Furthermore, during the Track Record Period, we shifted our focus from tendering smaller projects to projects with larger contract sums, which may result in higher revenue and gross profit volatility. If our Group is able to secure sizeable projects in a given period, our revenue and gross profit in the relevant period may increase substantially. On the contrary, failure to secure any sizable projects in a given period may result in a significant decline in our revenue and gross profit in the relevant period. There is no guarantee that we will be successful in tendering

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for projects with relatively large contract sums. If we are unable to successfully tender for projects with relatively large contract sums in the future, we may not maintain our level of revenue and gross profit.

In addition, our gross profit margin may also fluctuate from period to period due to factors such as (i) our ability to accurately estimate our costs when submitting tenders; (ii) the complexity and size of projects; (iii) subcontracting fees; (iv) costs of materials; and (v) our pricing policy. There is no assurance that our gross profit margin will remain stable in the future and that we can maintain our current level of performance.

Potential mismatch in time between receipt of payments from our customers and payments to our suppliers may adversely affect our cash flows and result in net operating cash outflow

We may experience net cash outflows (including net operating cash outflows) due to our payments of up-front costs for the projects during the preliminary stage and prior to full payment by our customers. The up-front costs of our projects generally include startup costs at the initial stage of a project comprising subcontracting fees for work done by subcontractors, and payment made to suppliers for materials. The timeframe for us to start generating positive monthly net cash flow from our projects after their commencement and the total amount of up-front costs incurred by our Group during such period varies depending on the size and duration of projects as well as other factors. Based on our experiences with the major completed projects which contributed over HK\$10 million in revenue during the three years ended 30 June 2022, it took approximately five months to 21 months and an average of nine months for us to start generating positive monthly net cash flow from such major projects after their commencement (the “**Up-front Period**”) and the total amount of up-front costs incurred by our Group during the Up-front Period represented on average approximately 29.1% of the estimated contract sum of such major projects. Our customers generally make progress payments according to our work progress, and such payments are required to be certified by our customers or their authorised representatives before we issue a payment application to our customers. In addition, a certain percentage of each progress payment made to our Group, usually ranging from 5% to 10% of the relevant progress payment fee, the aggregate of which is subject to the maximum amount of 5% of the total contract value, may be withheld by some customers as retention money and will be released at the end of the defect liability period. For further information, please refer to the section headed “Business — Our customers — Major terms of contracts with customers” in this prospectus.

Accordingly, our cash flow typically turns from net outflows at the early stage of a project into cumulative net inflows gradually as the project progresses. This results in a cash flow gap and in the event that we have more projects at the initial stage or that a substantial amount of retention monies from various projects are being withheld by our customers at any given point of time, our liquidity may be materially and adversely affected.

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In the event that we experience net cash outflows (including net operating cash outflows) due to the above or other reasons, we may be required to obtain sufficient additional liquidity to meet our financial needs and obligations. If we are unable to do so, we may be in default of our payment obligations, fail to meet our capital expenditure requirements and/or may not be able to pursue our business strategies as planned. As a result, our business, reputation, financial position, results of operations and prospects may be materially and adversely affected.

Total actual value of work done may vary from the original estimated contract sum stated in our contracts with customers

During the Track Record Period, most of our contracts with customers involve remeasurement while the rest are on a lump sum fixed price basis. In contracts on a lump sum fixed price basis, the contract generally specifies a contract sum based on the agreed unit rates and the agreed quantities of work items. In contracts involving remeasurement, the agreed unit rates and the estimated quantities of work items are included in the contract and the final contract sum is subject to remeasurement of the works done and our Group will be paid based on the actual amount of works done in the project, which normally will be measured by our customers upon completion of the works. As a subcontractor working on a construction project, our work may be affected by the main contractors and other subcontractors, over whom we have no control. The other contractors are not accountable to us and their actions or omissions may result in project delays or changes to the project designs or the environment at the project site which may increase our work or otherwise add to our costs. The value of work items and the amount of revenue that we are able to derive from such a contract may vary significantly from period to period.

Despite the uncertainty as to the amount of work items that may be requested by our customers, we need to allocate labour and other resources to prepare for work items over the relevant contract period based on our past experience and the volume of work items requested by such customers in the past. In the event that any customer significantly reduces the amount of work items during the relevant contract period from our expectations, our business operations and financial performance may be materially and adversely affected.

Our revenue and profit margin are subject to fluctuations driven by variation orders

Our customers may request additional works, or reduction or alteration of works beyond the scope of the contract during project implementation by placing variation orders with us. We will discuss with our customers to mutually agree on the sum of variation orders to be added to or deducted from the original contract sum primarily with reference to the schedule of unit rates provided in the relevant contract. Otherwise, we will further agree on the rates with our customers. The total revenue to be derived from and the profit margin for a project may differ from the original estimated contract sum specified in the relevant contract and the original expected profit margin for the project due to variation orders placed by our customers during the implementation stage. For further details on our variation orders, please refer to the section headed "Business — Operation flow — Variation orders" in this prospectus. Accordingly, our revenue and

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profit margin may fluctuate significantly due to such variation orders. There are uncertainties relating to the variation orders including the amount and timing of such variation orders given that they are requested at our customers' discretion and there is no guarantee that there will be any variation orders requested by our customers at all. As such, there is no assurance that the amount of revenue derived from our projects will not be substantially different from the original estimated contract sum as specified in the relevant contracts, or will be sufficient to recover our costs incurred or otherwise contribute to a reasonable profit margin for the project, and as such, our financial condition may be materially and adversely affected by variation orders for our projects from time to time.

We are subject to credit risk with respect to the collectability of trade receivables and contract assets arising from our passive fire protection works

We are subject to credit risk with respect to the collectability of trade receivables and contract assets arising from our passive fire protection works particularly from our five largest customers in each year/period during the Track Record Period which accounted for a significant portion of our total trade receivables and outstanding contract assets.

As at 30 June 2020, 2021 and 2022 and 31 October 2022, we recorded trade receivables of approximately HK\$11.5 million, HK\$17.3 million, HK\$12.1 million and HK\$16.8 million, respectively. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our trade receivables turnover days were approximately 23.9 days, 28.4 days, 22.9 days and 14.3 days, respectively. A significant portion of our trade receivables were attributable to a limited number of customers during the Track Record Period. Besides, some of our customers include a "pay when paid" clause in their contracts with us and they have the right to pay us only after collection of payments from their customers. In the event our customers fail to collect payment from their customers, this will, in turn, adversely affect the collectability of our payments from our customers. We may also encounter delays in payment in the event of the poor financial condition and insolvency of our customers. There can be no assurance that our customers will settle our payment applications on time and in full or that the project owners will make interim progress payments directly to subcontractors or make acceptable alternative payment arrangements in case of failure by our customers to pay.

A contract asset represents our Group's right to consideration in exchange for goods or services that our Group has transferred to a customer that is not yet unconditional. In other words, contract assets consist of our Group's rights to consideration for works completed but unbilled amounts resulting from construction contracts. The contract assets are transferred to trade receivables when the rights become unconditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. Our Group recorded contract assets arising from construction contracts of approximately HK\$37.1 million, HK\$48.2 million, HK\$64.8 million and HK\$59.8 million as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively. For details of the subsequent settlement of these contract assets, please refer to the section headed "Financial information — Discussion on selected financial position items — Contract assets/liabilities" in this prospectus.

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Our Group's contract assets comprised (i) unbilled revenue; and (ii) retention receivables for passive fire protection works. Our Group recorded unbilled revenue of approximately HK\$24.4 million, HK\$33.8 million, HK\$44.1 million and HK\$38.3 million as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively. In addition, when undertaking contract works, our customers may, depending on the contract terms, hold up a certain percentage of each progress payment made to us as retention monies. As at 30 June 2020, 2021, 2022 and 31 October 2022, retention receivables of approximately HK\$12.7 million, HK\$14.4 million, HK\$20.7 million and HK\$21.5 million, respectively, were retained by our customers as retention monies. Depending on the contract terms, the retention monies are generally released upon the end of the defect liability period. However, there is no assurance that such retention monies will be released by our customers to us on a timely basis and in full accordingly. There is no assurance that we will be able to bill all or any part of contract assets for our services completed according to the payment terms of the contracts.

In the event that we are unable to collect a substantial portion of our trade receivables and contract assets arising from our contracts with customers within the payment terms or at all, our cash flows and financial positions may be materially and adversely affected.

If we fail to perform our obligations with respect to our contract liabilities, business and results of operations may be materially and adversely affected

As at 30 June 2020, 2021 and 2022 and 31 October 2022, we had contract liabilities of approximately HK\$4.1 million, HK\$0.8 million, HK\$0.4 million and HK\$0.4 million, respectively. Our contract liabilities represent our Group's obligation to transfer services to customers for which our Group has received consideration.

If we fail to fulfill our obligations with respect to our contract liabilities, we may not be able to convert such contract liabilities into revenue as expected. The aforesaid failure may also adversely affect our relationship with such customers, which may also affect our reputation and ability to obtain projects from such customers in the future. If any of the circumstances occur, our business and results of operations may be materially and adversely affected.

Any worsening of the COVID-19 pandemic or the outbreak of other severe communicable disease may directly or indirectly result in a material adverse effect on our reputation, business, financial condition and results of operations

The COVID-19 pandemic or the outbreak of other severe communicable disease may directly or indirectly affect us in various ways. Since COVID-19 first struck Hong Kong in around January 2020, the HK Government has announced various measures, including travel restrictions and social distancing measures in order to reduce the risk of local transmission of COVID-19. In 2022, Hong Kong recorded the fifth wave of the outbreak of COVID-19 attributable to the Omicron variant. There is no assurance that the COVID-19 pandemic or the outbreak of other severe communicable disease in Hong Kong can be effectively controlled or that the HK Government will not impose more stringent measures such as closure of physical workplace premises, full-scale suspension of all

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business, social and other activities as well as other lockdown policies to control the spread of COVID-19 or other severe communicable diseases which may affect our operations.

The outbreak of COVID-19 or other severe communicable diseases in Hong Kong may have a material adverse impact on the Hong Kong economy, which may result in a slowdown in the property market and lower the availability of construction projects in Hong Kong. Any worsening of the COVID-19 pandemic or the outbreak of other severe communicable disease may also lead to less available projects, more intense competition in the markets, labour shortages, increase in wages of the workers engaged in passive fire protection works and/or interruption of our business operations, temporary suspension or delay of the work progress of our projects. We cannot assure you that we will not experience any project delays or failure to complete our projects according to planned specifications, schedules and budgets as a result of the COVID-19 pandemic or the outbreak of other severe communicable disease, which may expose us to potential claims from customers for liquidated damages and result in a material adverse impact on our reputation, business, financial condition and results of operations.

Our operations may also be affected if any of our employees or the employees of our subcontractors is suspected of contracting or contracts COVID-19 or other severe communicable diseases, since this may require us and our subcontractors to quarantine some or all of the relevant employees and disinfect our project sites and facilities used for our operations.

In addition, some of our suppliers are based outside of Hong Kong. Due to the resurgence of the COVID-19 pandemic in the PRC in early 2022, lockdown measures were imposed in various parts of the PRC, Shanghai in particular, leading to a temporary disruption in the supply of raw materials from the PRC. We experienced a temporary delay from around April 2022 to May 2022 in the deliveries by certain suppliers with operations in or sourcing from the PRC for certain passive fire protection materials and metal parts and components (for further details, please refer to the section headed “Business — Occupational health and safety — Impact of COVID-19” in this prospectus). If the HK Government and/or the PRC government introduce or impose stricter measures to combat the spread of COVID-19 or other severe communicable diseases including quarantine requirements, import controls or lockdowns on a city-wide scale, there is no assurance that our suppliers and subcontractors with operations wholly or partly in the PRC or otherwise rely on the free movement of staff and goods between Hong Kong and the PRC would be able to (a) maintain their normal business operations without disruptions; and/or (b) deliver the materials or arrange for the subcontracting services from the PRC to our work sites in Hong Kong in a timely manner and at reasonable prices, and there is no guarantee that we would be able to source the materials or subcontracting services from alternative suppliers or subcontractors in time. If these adverse events materialise and persist for a substantial period of time, our reputation, business, financial condition and results of operations may be materially and adversely affected.

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Disruptions such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks could significantly delay, or even prevent our completion of projects

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include epidemics, natural disasters, adverse weather conditions, political unrest, wars and terrorist attacks. Any such events could cause us to reduce or halt our operation, adversely affect our business operation, increase our costs and/or prevent us from completing our projects, any one of which could materially and adversely affect our business, financial condition and results of operations.

Any of these events may negatively impact investor confidence and risk appetite, the fund-raising activities of issuers and proposed listing applicants, the macroeconomic condition as well as the financial conditions in Hong Kong. Our business operations, financial condition as well as our fund-raising activities as contemplated by this prospectus may be materially and adversely affected as a result.

Our Group's pricing terms and gross profit margin may be affected by the pricing strategy of our competitors

According to the Industry Report, the passive fire protection works industry in Hong Kong is relatively concentrated and highly competitive with approximately 500 market participants engaging in passive fire protection works but less than 100 of them specialising in such works. In light of the level of competition in the passive fire protection works industry, our competitors may adopt a proactive pricing strategy in order to maintain or increase their market share. Depending on the pricing strategy of our competitors, we may face certain downward pricing pressure as a result of possible price competition, thereby lowering our gross profit margin. There is no assurance that we will be able to maintain our gross profit margin and/or maintain our pricing strategy in the future. Our inability to adjust our pricing in response to the changes in pricing strategy of our competitors or fierce market competition may hinder our ability to obtain new projects and materially and adversely affect our profitability, results of operations and business prospects.

There is no assurance that our Group can retain the key personnel on whom we depend

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contributions of Mr. Dave Ng and Mr. Vincent Ng, each being one of our executive Directors. Details of their expertise and experience are set out in the section headed "Directors and senior management" in this prospectus. Our other key personnel include our project managers whose management experience in overseeing our projects is crucial to our operation and financial performance. Although we have entered into service agreements with each of our executive Directors and key personnel, there may be a material and adverse impact on our operation should any of our executive Directors or key personnel terminate their respective service agreement with us or otherwise cease to serve our Group and we are unable to recruit appropriate persons to replace them. There is no assurance that we will be able to attract and retain capable staff in the future. In such event, the business, financial position and prospects of our Group could be materially and adversely affected.

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Failure to complete our projects in a reliable and timely manner could materially affect our reputation or financial performance or may subject us to claims

Contracts with our customers generally contain liquidated damages clauses under which we are liable to pay liquidated damages to our customers if we are unable to deliver or perform the contractual works within the time specified under our contracts. Liquidated damages are generally determined on the basis of a fixed sum per day.

Delays in projects may occur from time to time due to various unforeseen factors such as shortage of manpower, delays by subcontractors, industrial accidents, and delay in delivery of materials. If there is any delay on our part in the completion of any given project, we may be liable to pay liquidated damages under our contracts. Some of our customers grade their subcontractors on a points system based in part on timeliness of project delivery and a persistently low grade could result in our Group being ineligible to tender for their projects. There is no assurance that we will not experience delays in our existing and future projects that result in claims against us for liquidated damages, which in turn will adversely impact our reputation, business, financial condition and results of operations.

If severe fires were to break out in buildings or properties where we have provided passive fire protection works, our business, reputation, financial results and prospects may be materially and adversely affected

If severe fires were to occur in the buildings or properties where we have provided passive fire protection works, the integrity of the building may be compromised and injuries or even fatalities may occur. Although our passive fire protection works aim to reduce or delay the spread and effects of fire, heat or smoke in buildings, there is no guarantee that our works will prevent fires or smoke from spreading to other parts of the building or causing severe damage or casualty at all. In case of a severe fire, there may be concerns on the standard of our passive fire protection works performed, and thus affect our business reputation, and subject us to legal claims from our customers and/or other parties. We may need to divert our time, attention and resources from the operation of our business in order to mitigate such impact on our reputation and manage the claims. This may also affect our relationships with customers and cause delay(s) in their payment (including the release of retention monies) to us. In the above circumstances, our business, reputation, financial results and prospects may be materially and adversely affected.

We may be subject to claims and legal proceedings, such as those arising from accidents, safety conditions at work sites and under the terms of our contracts from time to time and we cannot assure you that such claims or legal proceedings will not have a material adverse impact on our business

We may be involved in claims and legal proceedings in respect of various matters from our customers, subcontractors, workers and other parties concerned with our works from time to time such as those arising from accidents, safety conditions at work sites and defects in our works. In the past, we received employees' compensation claims and personal injury claims for injuries suffered by workers from accidents arising out of and in the course of employment of the injured workers. During the Track Record Period and up

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to the Latest Practicable Date, we recorded six accidents involving workers which gave rise or may give rise to potential employees' compensation claims and/or personal injury claims. We also received one improvement notice in June 2020 issued by the Labour Department against Easy Smart Engineering in respect of failure to ensure a worker used the effective screens provided at a work site where particles of material or dust were likely to enter or damage the eyes in contravention of the Construction Sites (Safety) Regulations. There is no guarantee that we will not receive similar claims arising from accidents in the future and receive improvement notices and suspension notices relating to safety conditions at work sites.

In addition, as a provider of passive fire protection works, we may be subject to claims under the terms of contracts such as administrative penalties for minor deficiencies in carrying out our services, those arising from defects of our works or alleged breaches of our contracts. In general, our customers require us to provide a defect liability period (generally being a period of 12 months after issuance of the practical completion certificate of the project), during which we will remain responsible for remedying any defects in relation to our work done. In the event that substantive remedial actions are required to be taken during the defect liability period, we may have to incur significant time and costs to conduct such remedial works. If we fail to make good the defects as required, our customers may claim against us. We may also from time to time enter into disputes with customers and suppliers relating to the amount of or delay in payments which may turn into legal proceedings.

There is no assurance that we will not be involved in the above or other types of claims or legal proceedings from time to time, nor can we assure you that any such claims or legal proceedings would not have a material adverse impact on our business, financial condition and reputation. Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation if publicised. If the aforesaid claims were successfully made against our Group and are not covered by insurance policies, we may need to pay damages and legal costs, which in turn could adversely affect our results of operations and financial position.

Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. Any claims or legal proceedings to which we may become a party in the future may have a material and adverse impact on our business, financial condition and reputation.

We were involved in certain historical non-compliance and/or tax incidents relating to the requirements under the IRO

During the Track Record Period, we were involved in certain historical non-compliance and/or tax incidents relating to the requirements under the IRO including late filing of profits tax returns and failing to inform the IRD for profits tax chargeable. For further details and potential impact of the incidents, please refer to the section headed "Business — Non-compliance" in this prospectus. In addition, in preparing the audited consolidated financial statements of our Group, we identified

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certain adjustments in the audited financial statement of Easy Smart Maintenance for the year of assessment 2018/19 and therefore certain prior year adjustments and tax refilings were made by us. For further details, please refer to the section headed “Financial information — Principal components of results of operations — Tax refiling of Easy Smart Maintenance for year of assessment 2018/19” in this prospectus.

There is no assurance that we will not be subject to any material orders or claims or penalties in relation to the above tax incidents in the future. If any enforcement action is taken by the IRD against us and our Directors including but not limited to payment of monetary penalties, there is no assurance that our business, results of operations, financial condition and prospects including but not limited to our reputation in the industry and our relationship with customers will not be materially and adversely affected by such historical non-compliance incidents.

Our insurance coverage may not adequately cover potential liabilities

Certain risks disclosed elsewhere in this section such as risks in relation to customer concentration, our ability to obtain new contracts, our ability to retain and attract personnel, availability and performance of subcontractors, project and cost management, our ability to maintain and renew our registrations, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of war, terrorism, or natural catastrophes are also either unavailable or cost prohibitive.

Further, we may be subject to liabilities against which we are not, or cannot be, insured adequately or at all. Should any significant liability arise due to accidents, natural disasters, or other events which are not covered or are inadequately covered by our insurance, our business may be adversely affected, potentially leading to lawsuits, employee compensation obligations, loss of assets or other forms of economic loss.

We cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, we cannot guarantee that we can renew our policies or renew on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed insurance policy limits, our business, financial position, results of operations and prospects could be materially and adversely affected.

There is no guarantee that we will continue to receive government subsidies and fluctuations in the amount of such subsidies received may impact our financial condition and profits

During the Track Record Period, we received government subsidies of approximately HK\$0.5 million, HK\$2.7 million, HK\$0.4 million and HK\$0.7 million for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively, under the employment support schemes of the HK Government and the construction business support scheme of the Construction Industry Council. These government subsidies are generally non-recurring in nature and may be subject to certain eligibility requirements.

We cannot guarantee that we will continue to receive such government subsidies. If there is a suspension or termination of such schemes without similar replacement

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schemes, material reductions in the amounts offered, changes to the eligibility criteria which we are unable to fulfill or any other material changes to such schemes, our financial condition and profitability may be materially and adversely affected.

The loss of or failure to obtain and/or renew our registrations under the Registered Specialist Trade Contractors Scheme could materially and adversely affect us

As at the Latest Practicable Date, Easy Smart Engineering and Easy Smart Maintenance were registered under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council in the Register of Subcontractors for certain trades such as painting — others (fire protection paint) and shutters/doors, fabrication and installation — fire rated door and in the Register of Specialist Trade Contractors for suspended ceiling (for further detail, please refer to the section headed “Business — Licences, certificates and qualifications” in this prospectus).

Such registrations or their renewal upon expiry are subject to our satisfying the registration requirements set out in the respective Rules and Procedures for the Register of Subcontractors and for the Register of Specialist Trade Contractors at the relevant time, including the retention of sufficient numbers of the relevant staff for fulfilling the registration requirements under the Registered Specialist Trade Contractors Scheme. For details, please refer to the section headed “Regulatory overview — The laws and regulations of Hong Kong — B. Contractor licensing regime and operation — Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)” in this prospectus. We cannot guarantee that we will be able to retain sufficient numbers of the relevant staff for fulfilling the registration requirements at all times under the Registered Specialist Trade Contractors Scheme. If we are unable to meet such registration requirements such that we are not entitled to be registered, it may result in our registrations being cancelled or unable to be renewed upon their expiry.

If there are any changes in the registrations under Registered Specialist Trade Contractors Scheme, such as additional requirements to maintain such registrations and we are unable to comply with such new requirements, it may result in our failure to maintain such qualifications. If we cannot maintain these qualifications, we may not be able to compete as effectively against competitors with such registrations and our reputation, our ability to obtain future business, our business and results of operations may be materially and adversely affected.

Execution of our future business strategies depends on recruiting sufficient labour

One of our business strategies is to recruit additional staff in order to cope with our business expansion. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for details of the additional staff that we plan to recruit by function. However, the construction industry in Hong Kong, including the sub-sector dealing with passive fire protection works, has been facing the problem of labour shortage. As a result, there may be potential difficulties for us to recruit sufficient labour to implement our future business strategies. Any material difficulties in recruiting sufficient labour to implement our future business strategies may adversely affect our Group’s ability to successfully grow our business, which may in turn materially and adversely affect our business and financial position and prospects.

RISK FACTORS

Our business plans and strategies may not be successful or be achieved within the expected time frame or within our estimated budget and may result in a significant increase in our costs of services and administrative expenses

We intend to increase our capital reserve for financing the up-front costs for our earmarked projects and variation orders for our projects, recruiting additional staff and investing in the information technology system of our Group in order to cope with the expected increase in demand for our services as part of our business expansion. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations. Even if we are successful in pursuing the above strategies, we estimate that additional depreciation arising from the purchases of the hardware in connection with the information technology system and staff costs (such increase in staff costs estimated to be approximately HK\$6.1 million per annum) will be charged to our profit and loss and may therefore affect our financial performance and operating results.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our performance depends on the development of the passive fire protection works industry and significant adverse changes such as termination of favourable government policies, reduction or termination of public investments plans or downturn of Hong Kong's economy may affect us

Our performance depends on the development of the passive fire protection works industry which is in turn affected by the availability of construction projects in Hong Kong particularly public sector projects and projects involving new buildings. For the years ended 30 June 2020 and 2021, a majority of our revenue was derived from public sector projects and during the Track Record Period over 90% of our revenue was derived from projects involving new buildings. Such developments and the availability of construction projects will be determined by a variety of factors including the continuation of major market drivers. According to the Industry Report, major market drivers for our industry include favourable fire safety policies in the form of subsidies offered by the HK Government to property owners conducive to undertaking fire safety enhancement measures, and investments in public infrastructure and facilities by the HK Government (for further details, please refer to the section headed "Industry overview — Overview of passive fire protection works market — Market drivers and opportunities" in this prospectus). The industry is also impacted by the general conditions and prospects of Hong Kong's economy and the willingness of property developers and private owners to initiate new construction projects.

If there are any significant changes to the above or other factors including the termination of such favourable policies, reduction or termination of public investment plans or downturn of Hong Kong's economy, there is no assurance that the availability of construction projects in Hong Kong would not decrease significantly to such an extent as to materially and adversely affect our Group's business, financial position and prospects.

RISK FACTORS

We operate in a competitive industry

According to the Industry Report, our industry is highly competitive with market participants competing mainly on the comprehensiveness of their service offering, their established relationships and their industry expertise. In certain cases, our competitors may obtain competitive advantages such as having their own factories for metal works such as spray painting and modifying the size of metal pieces. New participants may wish to enter the industry provided that they successfully develop a proven track record, obtain technical know-how and have sufficient capital. Any significant increase in competition or our inability to obtain similar competitive advantages as our competitors may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Rising operating costs, including the costs of labour and passive fire protection materials, may increase our costs of operation

The passive fire protection works industry in Hong Kong has been facing the problem of increasing operating costs which is mainly attributable to (i) the trend of increasing wages for workers engaged in passive fire protection works; and (ii) the increase in prices of certain materials typically required in carrying out passive fire protection works. The average daily wages of workers in the industry witnessed a CAGR of approximately 1.8% from 2016 to 2021 due to among others, the shortage of skilled workers. The average import prices of key raw materials in passive fire protection works industry, namely firestop acrylic sealants, fire rated doors, fire rated boards, fire resistant paints, coatings and plasters, and fire retardant wool, all increased from 2016 to 2021, due to among others, fast-growing market demand for such materials worldwide attributed to accelerated urbanisation. Out of the materials used by our Group and surveyed in the Industry Report, the average import price of fire resistant paints, coatings and plasters witnessed the most significant growth with a CAGR of approximately 17.3% from 2016 to 2021. For further details of the reasons for such trends and breakdown of such past price trends, please refer to the section headed “Industry overview — Cost analysis” in this prospectus.

In addition, the fees charged by our subcontractors depend on a number of factors, which generally include their own costs of operation. Industrial action of any trade may disrupt our operation and/or the operation of our customers and/or subcontractors and thus the work progress of projects undertaken by us. There is no assurance that workers will not demand higher wages and/or shorter working hours in the future. If their demands are to be met, we may incur additional direct labour costs, subcontracting fees and/or experience delay in the completion of our projects where our customers may in turn claim against us for not being able to meet the time schedule requirements under our contracts. Therefore, if costs of materials, particularly passive fire protection materials or other commonly used materials in the passive fire protection market in Hong Kong, or our staff costs and subcontracting fees continue to increase and we are unable to pass on such increase in costs to our customers, they will materially and adversely affect our business operation and financial condition.

RISK FACTORS

We may incur substantial additional expenditure from any change to existing laws, regulations, including but not limited to the introduction of more stringent laws and regulations on fire safety requirements, environmental protection or labour safety

Many aspects of our business operation are governed by various laws and regulations and government policies. There is no assurance that we will be able to respond to any such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. If there are any significant changes to fire safety requirements, the licensing or qualifications of contractors who conduct passive fire protection works, the environmental protection and workplace safety standards in relation to such works, and if we fail to meet the new requirements in a timely manner or at all, our business operation, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

Investors will experience immediate dilution

Given the Offer Price of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the Share Offer, investors of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted consolidated net tangible assets value to approximately HK\$0.56 per Share and HK\$0.58 per Share, respectively, based on the indicative Offer Price Range of HK\$1.28 per Offer Share to HK\$1.38 per Offer Share.

There has been no prior public market for the Shares and the market price, liquidity and trading volume of the Shares may encounter volatility

There has been no public market for the Shares up until the Listing. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's revenues, earnings and cash flows, acquisitions made by our Group or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, and the general market sentiment regarding the construction industry in Hong Kong could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price or at all.

RISK FACTORS

You may experience difficulties in protecting your interest, and your ability to protect your rights through Hong Kong courts may be limited because we are incorporated under Cayman Islands law

Our Company is an exempted company incorporated in the Cayman Islands with limited liability. Our corporate affairs are governed by, among others, our Memorandum and Articles of Association, the Companies Act and the common law of the Cayman Islands. All of our assets and operations are located in Hong Kong. Additionally, all of our current Directors reside in Hong Kong.

Despite the location of our assets, operations and Directors in Hong Kong, the rights of our Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to us under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England and Wales, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary duties of our Directors under the Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions such as Hong Kong. In addition, the Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Shareholders of Cayman Islands-exempted companies have no general rights under Cayman Islands law to obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in our Articles of Association. A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of our Company's members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public Shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our Board or our Controlling Shareholders than they would as public shareholders of a company incorporated in Hong Kong.

RISK FACTORS

Granting options under the Share Option Scheme may affect our Group's results of operation and dilute Shareholders' ownership

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may adversely affect our Group's results of operation. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please refer to the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be over four Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Any substantial disposal by our Controlling Shareholders of Shares could materially and adversely affect the market price of the Shares

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for sale by any of our Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Risk of termination of the Underwriting Agreements

Prospective investors should note that the Joint Overall Coordinators (for themselves and on behalf of other Underwriters) are entitled to terminate their obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out.

RISK FACTORS

The interest of our Controlling Shareholders may not always be aligned with that of our Group and those of our other Shareholders

Upon completion of the Share Offer, our Controlling Shareholders will own 75% of the Shares. Our Controlling Shareholders will therefore, have a significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always be aligned with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders causes our Group to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders may be adversely affected as a result.

Future issues, sales or offers of Shares may adversely affect the prevailing market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issue or sale may occur may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event or events will not occur in the future.

Past dividend distributions are not indicative of our future dividend policy and we cannot guarantee whether and when we will pay dividends on our Shares.

During the Track Record Period, Easy Smart Engineering declared dividends for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$64.1 million, HK\$6.0 million, nil and nil, respectively, to its then shareholders, of which approximately HK\$24.4 million, HK\$6.0 million, nil and nil, respectively were paid. The remaining dividends declared of approximately HK\$39.7 million for the year ended 30 June 2020 were offset against the amounts due from the then shareholders, Mr. Dave Ng and Ms. Lim. We cannot guarantee when, if or in what form and amount dividends will be declared or paid on our Shares following the Share Offer. Past dividend distributions are not indicative of our future dividend policy and we cannot guarantee whether and when we will pay dividends on our Shares. Subject to the Companies Act and the Articles, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Board. Our Board may also from time to time resolve to pay our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and profits of our Company, and may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and be available for distribution in subsequent years. To the extent profits are distributed as dividends, such amounts will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

RISK FACTORS

RISKS RELATING TO THIS PROSPECTUS

Industry information and statistics in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed “Industry overview” and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by HK Government departments or Independent Third Parties. In addition, certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Frost & Sullivan, an Independent Third Party market research and consulting company. Our Company believes that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the Share Offer have independently verified, or are making any representation as to the accuracy of such official government information and statistics. It cannot be assured that statistics derived from such sources were prepared on a comparable basis or that such information and statistics were stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications.

Our Group’s future results could differ materially from those expressed or implied by forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus. Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward-looking statements.

Prior to the publication of this prospectus, there may be press or other media which contains information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Joint Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, or the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy,

RISK FACTORS

completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making the decision as to whether to invest in the Offer Shares. You should rely only on the information contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE OF THE LISTING RULES

In preparation for the Share Offer, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which would constitute partially exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirement under Chapter 14A of the Listing Rules are set out in the section headed “Connected transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the **GREEN** Application Form, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer. Neither the delivery of this prospectus nor any offering or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and in the **GREEN** Application Form.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus. The Listing is sponsored by the Sole Sponsor and managed by the Joint Lead Managers. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Joint Overall Coordinators. The Share Offer will be fully underwritten by the Underwriters under the terms of the Underwriting Agreements. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed "Underwriting — Underwriting arrangements and expenses" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Overall Coordinators and our Company on the Price Determination Date, or such later date or time as may be agreed by our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters). The Offer Price is currently expected to be not more than HK\$1.38 per Offer Share and not less than HK\$1.28 per Offer Share. The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.easysmart.com.hk.

If the Joint Overall Coordinators and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed.

RESTRICTIONS ON SHARE OFFER AND SALE OF OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a Share Offer or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange.

Under Section 44B(1) of the Companies (Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on the Stock Exchange has been refused before the expiration of three weeks from the date of the closing of the Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Committee, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded the Stock Exchange unless the Stock Exchange otherwise agrees.

HONG KONG BRANCH SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, in Hong Kong. Our principal register of members will be maintained by Appleby Global Services (Cayman) Limited in the Cayman Islands.

No stamp duty is payable by applicants in the Share Offer.

Dealings in the Offer Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Offer Shares. None of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Offer Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

In connection with the Placing, the Stabilising Manager, or any person acting for it, may over-allot Shares or effect any other transactions with a view to stabilising and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action.

In connection with the Placing, our Company is expected to grant to the Placing Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Overall Coordinators (for themselves and on behalf of the Placing Underwriters) up to (and including) the date which is the 30th day after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 15,300,000 Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, to cover over-allocations in the Placing, if any.

For further details on the stabilisation and the Over-allotment Option, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The application procedure for the Public Offer Shares is set out in the section headed “How to apply for the Public Offer Shares” in this prospectus and on the **GREEN** Application Form.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this prospectus and their English translations, the Chinese names shall prevail.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Ng Wing Woon Dave (吳榮煥先生) (also known as Mr. Ng Wing Woon (吳榮煥先生))	506C Pat Heung Sheung Tsuen Yuen Long New Territories Hong Kong	Chinese
Mr. Ng Wing Shing (吳榮盛先生)	Flat D, 21/F, Block 2 The Pinnacle 8 Wan Hang Road Tseung Kwan O New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Prof. Pong Kam Keung (龐錦強教授)	Flat A, 6/F, Block 1A Grand Montara 1 Lohas Park Road Tseung Kwan O New Territories Hong Kong	Chinese
Ms. Cheng Shing Yan (鄭承欣女士)	Flat A, 40/F, Block 4 Beverly Garden Tong Ming Street Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Lo Chi Wang (羅智弘先生)	Flat G, 29/F, Block 2 Ocean View 1 Po Tai Street Ma On Shan New Territories Hong Kong	Chinese

Please refer to the section headed “Directors and senior management” in this prospectus for further information of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

**Sole Sponsor and sponsor —
overall coordinator**

Grande Capital Limited

A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Room 2701, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

Joint Overall Coordinators

Head & Shoulders Securities Limited

28/F, Queen's Road Centre
152 Queen's Road Central
Hong Kong

Grande Capital Limited

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Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

**Joint Bookrunners,
Joint Lead Managers and
Capital Market
Intermediaries**

Head & Shoulders Securities Limited

28/F, Queen's Road Centre
152 Queen's Road Central
Hong Kong

Grande Capital Limited

Room 2701, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
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CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

BOCOM International Securities Limited

9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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Eddid Securities and Futures Limited

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Central
Hong Kong

Maxa Capital Limited

Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

Legal advisers to our Company

As to Hong Kong laws

Loong & Yeung

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China Building
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Central
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As to Hong Kong laws

Chan Chung

Barrister-at-law of Hong Kong
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15-18 Connaught Road Central
Hong Kong

As to Cayman Islands laws

Appleby

Suites 4201-03 & 12
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Quarry Bay, Hong Kong

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	<p><i>As to PRC laws</i> Shanghai Wen Fei Yong Law Firm Room 2704, Multimedia Plaza No. 1027 Changning Road Changning District Shanghai PRC</p>
<p>Legal advisers to the Sole Sponsor, the Joint Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters</p>	<p><i>As to Hong Kong laws</i> Guantao & Chow Solicitors and Notaries Suites 1801-03, 18/F One Taikoo Place 979 King's Road Quarry Bay Hong Kong</p>
<p>Auditors and reporting accountants</p>	<p>Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> <i>Registered Public Interest Entity Auditors</i> 35/F, One Pacific Place 88 Queensway Hong Kong</p>
<p>Independent valuer</p>	<p>APAC Asset Valuation and Consulting Limited 5/F, Blissful Building 243-247 Des Voeux Road Central Hong Kong</p>
<p>Industry consultant</p>	<p>Frost & Sullivan International Limited Suite 1706, One Exchange Square 8 Connaught Place Central Hong Kong</p>
<p>Internal control consultant</p>	<p>BT Corporate Governance Limited 2nd Floor, 625 King's Road North Point Hong Kong</p>
<p>Compliance adviser</p>	<p>Grande Capital Limited Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road, Admiralty Hong Kong</p>

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Receiving banks

Bank of China (Hong Kong) Limited

1 Garden Road
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited

18/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office	71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit A, 10/F Ming Tak Centre 135-137 Tung Chau Street Kowloon Hong Kong
Company's website	<u>www.easysmart.com.hk</u> <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Mr. Leung Hoi Ki (梁海祺先生) <i>Certified Public Accountant</i> Room 11, 7/F Fook Lam House Kwong Lam Court Shatin New Territories Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Ng Wing Woon Dave (吳榮煥先生) 506C Pat Heung Sheung Tsuen, Yuen Long New Territories Hong Kong Mr. Leung Hoi Ki (梁海祺先生) <i>Certified Public Accountant</i> Room 11, 7/F Fook Lam House Kwong Lam Court Shatin New Territories Hong Kong
Audit committee	Mr. Lo Chi Wang (羅智弘先生) (Chairperson) Ms. Cheng Shing Yan (鄭承欣女士) Prof. Pong Kam Keung (龐錦強教授)

CORPORATE INFORMATION

Remuneration committee	Prof. Pong Kam Keung (龐錦強教授) (Chairperson) Mr. Ng Wing Woon Dave (吳榮煥先生) Mr. Lo Chi Wang (羅智弘先生)
Nomination committee	Mr. Ng Wing Woon Dave (吳榮煥先生) (Chairperson) Prof. Pong Kam Keung (龐錦強教授) Ms. Cheng Shing Yan (鄭承欣女士)
Principal share registrar and transfer office in the Cayman Islands	Appleby Global Services (Cayman) Limited 71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21/F 148 Electric Road North Point Hong Kong
Principal bank	Bank of Communications (Hong Kong) Limited Kwai Chung Branch G/F., 93-99 Tai Loong Street, Kwai Chung New Territories, Hong Kong

INDUSTRY OVERVIEW

The information contained in this section and other sections of this prospectus, unless otherwise indicated, were and have been derived from various official government publications, available sources from public market research and other sources generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Share Offer, and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the passive fire protection works market in Hong Kong. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Industry Report. We agreed to pay Frost & Sullivan a fee of HK\$570,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Industry Report in this prospectus because we believe this information facilitates an understanding of the passive fire protection works market in Hong Kong for the prospective investors. The Industry Report includes information of the passive fire protection works market in Hong Kong as well as other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the passive fire protection works market in Hong Kong. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Industry Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the passive fire protection works market in Hong Kong.

MACRO ECONOMY OVERVIEW IN HONG KONG

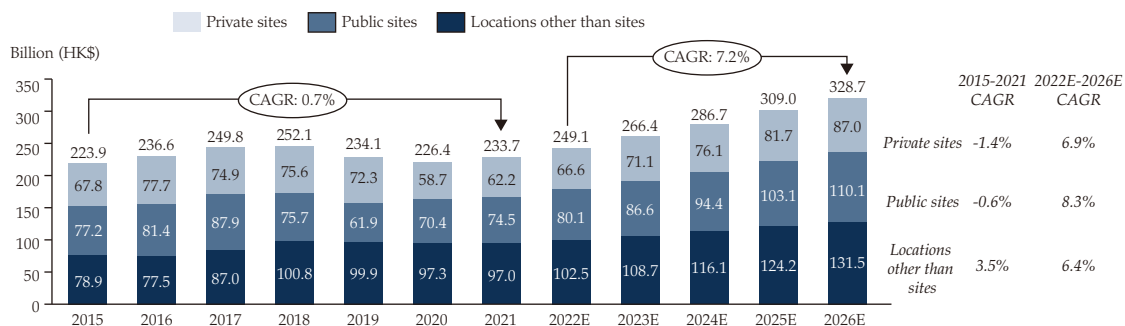
Gross value of construction works performed

According to the Census and Statistics Department, during 2015 to 2021, the gross value of construction works performed by main contractors in Hong Kong has increased slightly at an overall CAGR of approximately 0.7% from approximately HK\$223.9 billion in 2015 to approximately HK\$233.7 billion in 2021.

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Given the recent recovery and resumption of global business operations, the building works in Hong Kong is expected to slow down in only short-to-mid-term. Going forward, as the HK Government is determined to increase the housing supply and community facilities, the gross value of construction works performed by main contractors is expected to attain approximately HK\$328.7 billion by the end of 2026, representing a CAGR of approximately 7.2%.

Gross value of construction works performed by main contractors by sector (Hong Kong), 2015-2026E



Note: According to Census and Statistics Department, the gross value of construction works performed in locations other than sites generally refer to general trades (including decoration, repair and maintenance, and construction works at minor work locations such as site investigation, demolition, and structural alteration and addition works) and special trades (including carpentry, electrical equipment, ventilation, gas and water fitting installation and maintenance, etc).

Source: Frost & Sullivan analysis which takes into account the information published by the Census and Statistics Department

OVERVIEW OF PASSIVE FIRE PROTECTION WORKS MARKET

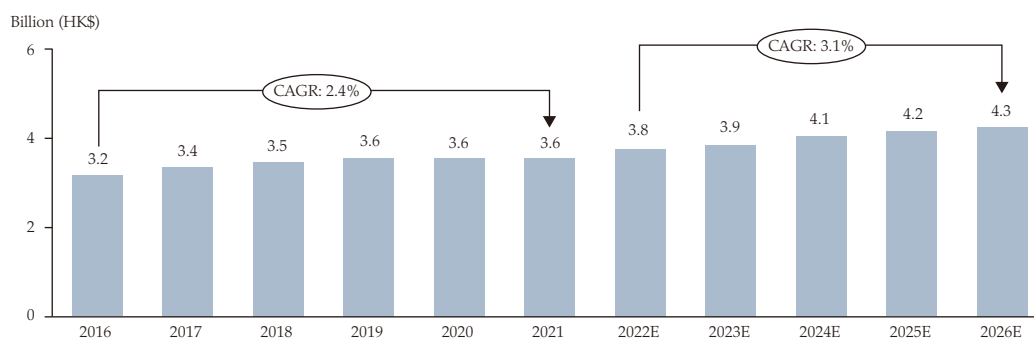
Introduction of building protection works market

Building protection works involve the application of appropriate building protection materials on building structures exposed to corrosion, abrasion and other natural aggressions with the ultimate purpose of making buildings more durable. Therefore, building protection works are crucial for the construction and maintenance industry and the demand for building protection works is a derived demand of the construction and maintenance industry. Building protection works include passive fire protection works, waterproof works, joint sealant works and floor works. Accordingly, passive fire protection works market can be considered a part of the building protection works market. The passive fire protection works market is a subset of the building protection works market which in turn is a subset of the construction industry. For the year ended 30 June 2022 and in terms of gross value, the passive fire protection works market in Hong Kong accounted for approximately 26.1% of the building protection works market in Hong Kong and the building protection works market in Hong Kong accounted for approximately 1.5% of the overall construction works market in Hong Kong.

The market size in terms of gross value of building protection works in Hong Kong has increased from approximately HK\$3.2 billion to HK\$3.6 billion during 2016 to 2021, representing a CAGR of approximately 2.4%. The growth was primarily driven by the increasing land and property supply, as well as the increasing awareness on building protection works following the rollout of the Mandatory Building Inspection Scheme. The continuous implementation of building construction projects are expected to spur the demand for building protection works, the market size is expected to attain approximately HK\$4.3 billion in 2026, representing a CAGR of approximately 3.1% during 2022 to 2026.

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Market size in terms of gross value of building protection works (Hong Kong), 2016-2026E



Source: Frost & Sullivan analysis which takes into account (i) the gross value of construction works performed by main contractors by sector published by the Census and Statistics Department; (ii) trade interviews; and (iii) adjustments based on its in-house model.

Introduction of passive fire protection works and differences with active fire protection works

Fire safety provisions, as defined in the “Code of Practice for Fire Safety in Buildings 2011” published by the Buildings Department which provides guidance on compliance with certain fire safety requirements laid down in the Building (Construction) Regulation (Chapter 123Q of the Laws of Hong Kong) and the Building (Planning) Regulations (Chapter 123F of the Laws of Hong Kong), refers to the installations, equipment, systems, building elements or methods used in a building to achieve the fire safety objectives. The provisions include, among others, (i) active fire safety provisions; and (ii) passive fire safety provisions.

- Active fire safety provisions refer to the design and supply of the fire safety systems and installation, maintenance, alteration and addition of (i) automatic fire alarm systems (ii) water and gas suppression systems, and (iii) portable fire equipment.
- Passive fire safety provisions refer to permanent building features and architectural aspects of a building that prevent fire development and spread. Examples include fire rated doors, fire rated boards and partitions, fire and smoke dampers, smoke curtains, fire resistant coatings and plasters, linings with low combustibility, etc.

Both active fire protection works and passive fire protection works are specialist works. While active fire protection works cover installation, maintenance, alteration and addition of systems and equipment that are placed as additions to a building structure which require manual or programmed effort to trigger, passive fire protection works covers the design, supply, installation, maintenance, alteration and addition of various fire protection materials and components that prevent fire development and spread.

According to the Building (Construction) Regulation, every premise in Hong Kong shall be designed and constructed so as to (i) inhibit the spread of fire within the premise and to nearby premises by dividing the premise into compartments; (ii) provide adequate resistance to the spread of fire and smoke by the separation of different uses in a premise by compartment walls and floors and by the separation of the premise from any adjoining premise or site; (iii) maintain the stability of the premise in case of fire; and (iv) provide adequate resistance to the spread of fire over the roof of one premise to another having regard to the position of the premise. Fire resistance rating is an implemented rating system on premises in Hong Kong, with assessment criteria namely stability, integrity and insulation included to measure the level of resistance against fire.

Passive fire protection is typically implemented through multi-pronged approach. Major objectives are segmented in the following aspects:

- Fireproofing, refers to the application of chemical material to withstand potential fire damage. For instance, spraying fire resistant paint, namely intumescent paint onto metal window frames is conducive to alleviating the rate of penetration of fire and extending the amount of time to evacuate.
- Compartmentation, refers to erecting specially designed barriers and partitions to contain smoke and fire. For instance, service providers place fire

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rated doors strategically to inhibit the passage of flame and smoke, as well as providing clear escape path. Fire wall and fire rated board, is another compartmentation strategy that is set up to constrain the spread of fire and to protect the building's integrity.

- Firestopping, refers to the practice of filling cavities between building partitions and structures, such as cavities between walls, floors, ceilings and ventilation ducts.

The nature of works of passive and active fire protection varies significantly upon the purpose, scope of work, equipment/materials applied and licences required. The skills adopted during design, development, implementation, testing and quality assurance of passive and active fire protection works are as such barely transferrable. Accordingly, it is not an industry practice for active fire protection service providers to undertake passive fire protection works.

	Passive fire protection works	Active fire protection works
Objective	<ul style="list-style-type: none"> • To apply a set of stationary physical barriers to compartmentalise a building and stop potential fire from spreading 	<ul style="list-style-type: none"> • To apply specialised equipment and systems to detect and suppress fire
Scope of work	<ul style="list-style-type: none"> • Involves installation, maintenance, alteration and addition of permanent building features and architectural aspects of a building that maintains structural safety and prevent spread of fire 	<ul style="list-style-type: none"> • Involves installation, maintenance, alteration and addition of systems and equipment that are placed as additions to a building structure which require manual or programmed effort to initiate and trigger
Trade Divisions	<ul style="list-style-type: none"> • Categorised under building protection works under specialist works 	<ul style="list-style-type: none"> • Categorised under electrical and mechanical (E&M) engineering works under specialist works
Equipment/materials Applied	<ul style="list-style-type: none"> • Mostly structural components that act as fire retardant barriers, such as fire rated doors, fire rated boards, firestop acrylic sealant, fire resistant paints, coating and plaster and fire retardant wool 	<ul style="list-style-type: none"> • Mostly apparatus containing an electrical circuit, such as sprinklers, fire hose reel, automatic fire alarm system, smoke/heat detectors, and some are operated manually such as fire extinguisher

Source: Frost & Sullivan analysis which takes into account the information published by the Buildings Department, Construction Industry Council and the Fire Services Department

Relevant authorities in Hong Kong would inspect or assess the compliance of a construction project with applicable laws, rules and regulations upon its completion. In respect of the fire safety requirements, the registered fire service installation contractors, being the active fire protection services provider(s) in the project and not our Group, should be ultimately responsible for assisting fire service installations and equipment owners in ensuring all fire service installations and equipment (including both the active fire protection works and passive fire protection works) in building projects are in efficient working order and in compliance with the requirements as set out by the Fire Services Department. During such inspections and assessments by the Fire Services Department, passive fire protection service providers will typically work with customers, the registered fire service installation contractors and/or other responsible parties involved in the project which serve as the primary contact person(s) with the Fire Services Department. As part of the Fire Services Department inspections and assessments, the Fire Services Department will typically inspect relevant documentation and conduct physical inspection(s) of the building to assess its fire safety provisions, including active fire safety provisions and passive fire safety provisions. With respect to the passive fire safety provisions, the Fire Services Department's assessment may include checking (i) the fire safety designs submitted against the actual installation and application of passive fire safety provisions on-site during the physical inspection or the specifications; and (ii)

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appropriate specification and sufficient quantity of passive fire protection materials were used in the project by reviewing (1) the relevant suppliers' fire certificates issued by the relevant suppliers of materials confirming that the specified quantity of the passive fire protection materials has been used in the relevant project; and (2) the application certificates issued by the passive fire protection service providers confirming that the relevant passive fire protection materials have been properly applied in the project.

The Buildings Department will also inspect or assess the compliance of a construction project and it has issued a Code of Practice for Fire Safety in Buildings stipulating certain requirements for achieving an adequate level of fire safety in all buildings in Hong Kong. In order to ensure compliance with relevant codes and practice notes issued by the Buildings Department such as Code of Practice for Fire Safety in Buildings and Practice Note for Authorized Persons, Registered Structural Engineers and Registered Geotechnical Engineers (App-13), the responsible party making submissions to the Buildings Department will require passive fire protection service providers to provide or procure necessary documents including (i) the relevant test reports from recognised laboratories confirming that the fire resistance performance of the specific brand(s) of materials were tested and satisfied the applicable fire resistance performance standards, generally accompanied by; (ii) the suppliers' fire certificates from such specific supplier confirming that the specified quantity of the passive fire protection materials has been used in the relevant project.

Major materials and components applied in passive fire protection works

The major materials and components applied in passive fire protection works and their usage are as follows: (1) firestop acrylic sealant: used to seal around openings and between joints in a fire-resistance-rated wall or floor assembly; (2) fire rated board: a dry wallboard consists of gypsum core and contains glass fibers and non-combustible materials that act as solid barrier against fire; (3) fire rated door: deployed to reduce spread of fire and smoke between separate compartments of a structure and maintain the escape route; (4) fire resistant paints, coating and plasters: applied on walls, ceilings and steel structures that expand during fire and serves as heat insulator; and (5) fire retardant wool: has high nitrogen and water content and therefore it needs higher levels of oxygen to burn than the surrounding environment, forming an insulating layer that prevents the spread of flames. Other than the above, metal parts and components, which mainly comprise steel-related products, are also commonly used materials in passive fire protection works.

Market size of passive fire protection works by sectors

From 2016 to 2021, passive fire protection works on residential buildings and non-residential areas in Hong Kong recorded growth of approximately 1.7% and 2.7% respectively, while demand for such works from the private and public sectors recorded the growth of approximately 0.1% and 4.7% respectively. The estimated gross value of the passive fire protection works market in Hong Kong increased from approximately HK\$835.4 million in 2016 to approximately HK\$940.3 million in 2021, representing a CAGR of approximately 2.4%, primarily due to the sustainable development of the construction industry, stringent requirements for fire safety construction and the rollout of Mandatory Urban Renewal Program, prompting the demand for installation and refurbishment of passive fire protection systems.

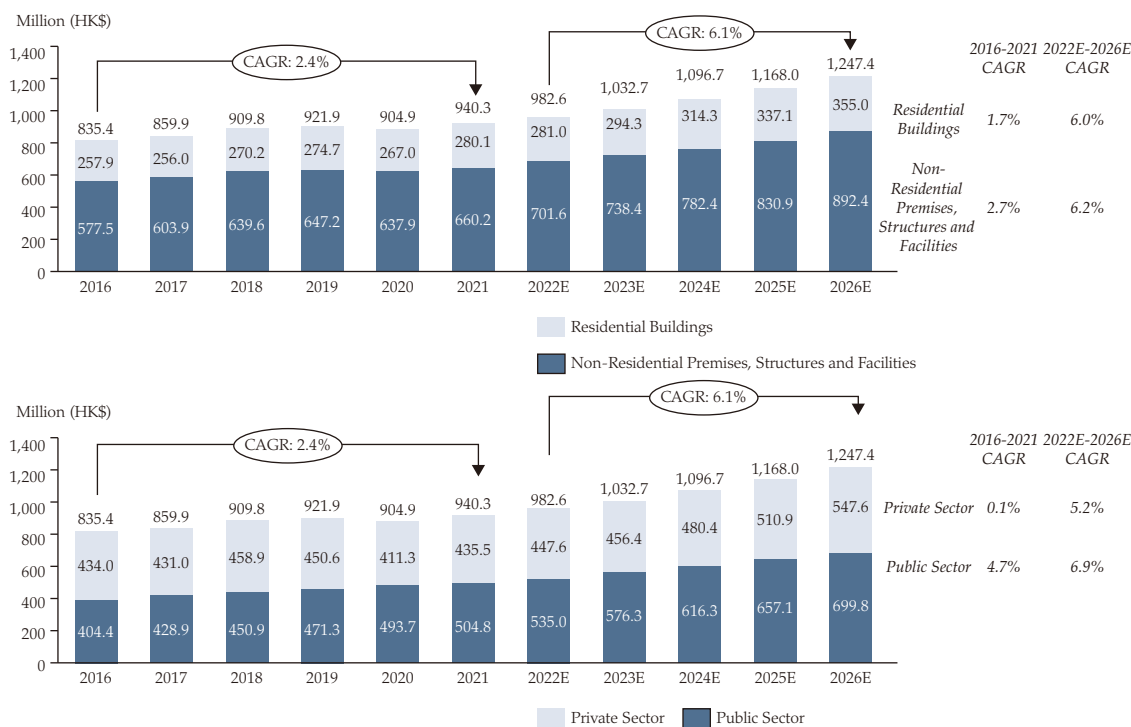
From 2022 to 2026, passive fire protection works on residential buildings and non-residential areas are expected to grow at the CAGRs of approximately 6.0% and 6.2% respectively, while demand for such works from the private and public sectors are expected to grow at CAGRs of approximately 5.2% and 6.9% respectively. The rising standard for building safety and quality of works, and to a lesser extent, the increasing adoption of Modular Integrated Construction (MiC) building model would continue to boost the needs for passive fire protection systems. The adoption of MiC building model is one of the factors boosting demand for passive fire protection works and contributing to the increase in contract value for passive fire protection works projects. Steel is a popular choice for compartment or module building material under MiC but is generally less fire resistant than other common building materials in buildings constructed using conventional method, like concrete and bricks. More passive fire protection works are

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generally required in order to achieve the same level of fire protection. According to the Industry Report, it is estimated that the contract value of passive fire protection works in projects adopting the MiC building model can be twice as high as the contract value of passive fire protection works in projects not adopting the MiC building model.

In light of the above, the gross value of passive fire protection works in Hong Kong is forecasted to reach approximately HK\$1,247.4 million in 2026, at a CAGR of approximately 6.1% from 2022 to 2026.

Market size in terms of gross value of passive fire protection works (Hong Kong), 2016-2026E



Source: Frost & Sullivan analysis which takes into account of (i) the gross value of construction works performed by main contractors by sector published by the Census and Statistics Department; (ii) trade interviews; and (iii) adjustments based on its in-house model.

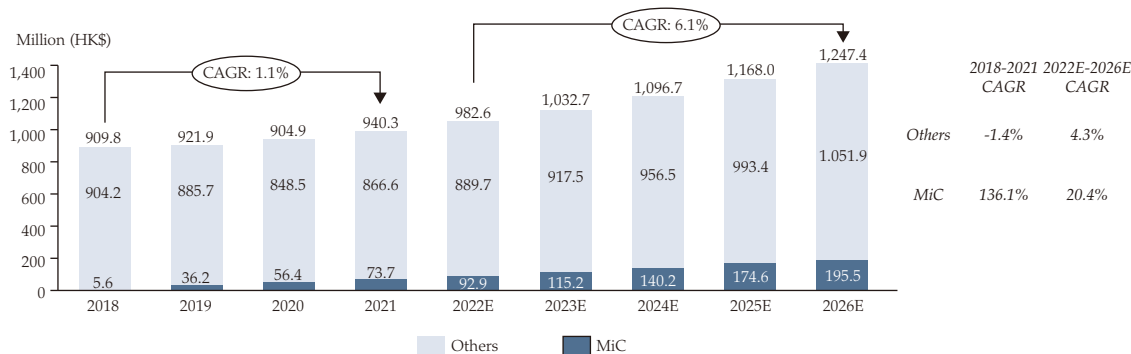
Note: Non-residential premises, structures and facilities include commercial buildings, industrial & storage premises, service buildings, and public amenities such as transport systems, sports and recreation premises, and other utilities and plants.

As set out in the 2017 Policy Address, the adoption of MiC is promoted in the construction industry. By adopting the concept of “factory assembly followed by on-site installation” and the mode of manufacturing, labour intensive processes can be accomplished in off-site prefabrication yard with a view to enhancing productivity and cost-effectiveness. The first pilot project to adapt MiC is the construction of the Disciplined Services Quarters for the Fire Services Department at Pak Shing Kok, Tseung Kwan O, commenced in September in 2018 in Hong Kong. MiC has gained popularity in Hong Kong in recent years due to its potential to increase construction efficiency, improve site safety, and reduce construction waste. Up to April 2023, there have been more than 36 projects in Hong Kong constructed using MiC. The market size of passive fire protections works involving MiC increased from approximately HK\$5.6 million in 2018 to approximately HK\$73.7 million in 2021 at a CAGR of approximately 136.1%.

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The HK Government has actively promoted the use of MiC in public housing projects and has set a target of using MiC in 30,000 units of public housing construction from 2023 to 2027. To support this goal, the HK Government has established a MiC Development Centre to provide technical support and training to the construction industry. The market size of passive fire protection works is expected to reach approximately HK\$195.5 million in 2026 at a CAGR of approximately 20.4%.

Market size in terms of gross value of passive fire protection works (Hong Kong), 2018-2026E



Source: Frost & Sullivan analysis which takes into account (i) the gross value of construction works performed by main contractors by sector published by the Census and Statistics Department; (ii) trade interviews; (iii) adjustments based on its in-house model; and (iv) the number of MiC projects as published by the Construction Industry Council.

Note: MiC refers to the gross value of passive fire protection works in MiC projects.

Application of passive fire protection materials in MiC projects

Frost & Sullivan has considered certain existing research(es) on the fire resistance of steel which is a popular choice for compartment or module building material under MiC. The table below sets out the results of a fire resistance test conducted on several steel components used for a light steel modular house that adopted the MiC method based on one study. Some of them were given no fire protection as comparison specimens, while others adopted fireproof paint or fireproof board (common passive fire protection materials). It is concluded that steel structures with components such as fireproof paint or fireproof board can significantly outperform steel components without fire protection in terms of fire resistance limit, or also known as the fire endurance/minute.

		Fire endurance/minute	
		Bearing capacity	Integrity
Column	Column without fire protection	12	N/A
	Column with fire protection	35	N/A
Beam	Top frame beam without fire protection	15	N/A
	Top frame beam with three-sided fire protection	70	N/A
Stair	Emergency stair without fire protection	N/A	≥5
	Emergency stair with fireproof board	N/A	≥32

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In comparison, based on the information from industry associations considered by Frost & Sullivan, the common conventional building materials concrete and brick has strong fire resistance: (i) concrete can provide up to four hours fire resistance without the need for additional fire protection or sprinklers; and (ii) the fire-resistance rating of 220 mm external clay brick masonry wall is four hours.

Market drivers and opportunities

1. *Favourable fire safety construction policies and regulations*

The enforcement of fire safety laws and regulations, such as the Fire Safety (Buildings) Ordinance (Chapter 572 of the Laws of Hong Kong) and Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong), serve as pivotal impetus for owners and/or occupiers of domestic and composite buildings to take corrective measures to comply with requirements in regard to fire safety construction. Currently, installation and certificates of each passive fire protection system shall be scrutinised accordingly pursuant to industry standards administered by the Buildings Department. Simultaneously, the Buildings Department has played a crucial role over the past decades in enacting international industry standards in relation to passive fire protection works in all kinds of buildings in Hong Kong. In particular, under the Code of Practice for Fire Safety in Buildings, the Buildings Department has taken active initiatives to tighten applicable standards continuously, including adopting standard code namely BS EN 1364 published by the British Standards Institution in place of the obsolete and comparatively loosened standard code namely BS 476. The BS EN 1364 further advanced the requirement such that building elements and structures are to be tested and classified with regard to their fire separation performance and smoke tightness. Due to the general tightening fire safety regulation, considerations for necessary passive fire protection works are increasingly done during the early project planning stages with such works incorporated into the early design of new buildings construction. Accordingly, the demand for passive fire protection works has increased, particularly for new buildings. To comply with the increasing industry standard, more passive fire protection components or systems of a building or structure, namely floor-ceilings and roofs, fire doors, windows, wall assemblies, fire-resistant coatings, and other fire and smoke control assemblies, are used in new building constructions as well as in the repair and maintenance of buildings. On the other hand, with the increasing engagement from the HK Government in terms of legislation and enforcement, the demand for repair, maintenance and upgrade of passive fire protection configurations is driven in compliance with market dynamics.

2. *Assistance provided for building owners*

A suite of supportive measures promulgated by the HK Government has been conducive to owners and occupiers to improve overall fire safety construction condition in order to fully comply with the Fire Safety (Buildings) Ordinance and Fire Safety (Commercial Premises) Premises Ordinance. For instance, in the “2019 Policy Address”, an injection of an additional HK\$3.5 billion for implementing a new round of application was intended to subsidise owners of more old composite buildings to undertake fire safety enhancement measures. Accordingly, the continuous rollout of supportive measures by the HK Government shall propel the development of passive fire protection works market in Hong Kong.

3. Adoption of modular integrated construction

Modular Integrated Construction (MiC) refers to a construction whereby free-standing integrated modules (completed with finishes, fixtures and fittings) are manufactured in a prefabrication factory and then transported to site for installation in a building. Hong Kong requires fire safety in modular units built under MiC to be in the same standard of conventional buildings, so the adoption of MiC does not result in more stringent regulatory requirements for passive fire protection works. However, there is an increased demand for passive fire protection works in connection with the adoption of MiC mainly arising from the nature of and materials used in MiC. In particular, steel is a popular choice for compartment or module building material in MiC due to its lightweight nature. This is in contrast to the conventional method of using heavier materials such as concrete or bricks. However, steel structure is generally less fire resistant than other common building materials like concrete and bricks, steel is more susceptible to damage in the event of a fire, and more passive fire protection works are generally required in order to achieve the same level of fire protection. As a result, the adoption of MiC generally increases the demand for passive fire protection works over typical projects under conventional construction method. Furthermore, MiC is typically designed with less sealed junctions in order to ensure compatibility during intermodular connections and fabrication and therefore joints between two or more precast façades are subject to significant cavities and openings where fire and smoke would easily penetrate. Passive fire protection works, such as the application of firestop acrylic sealant to seal around openings and between joints, are performed to help address such issue. As such, the increasing adoption of MiC in construction projects in Hong Kong is expected to contribute to the increasing demand for passive fire protection works, to address such issues relating to MiC projects.

4. Rollout of public infrastructure projects and expediting urban development

Outlined in the Chief Executive's "2020 Policy Address", the HK Government is expected to invest substantially in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the coming few years, and to strive to ensure the early commencement of capital works projects. The aforesaid policy address has also proposed raising the expenditure ceiling of each minor works funded in relation to public facilities and various infrastructure sites. The development of new town extension projects such as Tung Chung and Hung Shui Kiu, coupled with the implementation of Long Term Housing Strategy which propels continuous housing supply, are expected to spur the demand for the construction of residential, commercial, recreational units and infrastructural facilities such as the extension of mass transit railway systems, power and pumping stations, tunnels and bridges. The expedited urban development and rollout of public infrastructure projects are expected to provide long-term impetus to the passive fire protection works industry in Hong Kong.

5. Advancement in industrial standards from other economies

The industry standards of passive fire protection works industry in Hong Kong is heavily reliant on the evolvement of various international fire resistance test standards. In recent years in Europe and North America, fire safety requirements for buildings have been increasingly rigorous. With a view to attaining similar international standards, the

Buildings Department of Hong Kong is expected to exert continuous influence through the rollout of advanced measures, which is expected to propel the demand for various aspects of passive fire protection works.

6. *Consistent government support in the 2021 Policy Address*

As outlined in the Chief Executive's "2021 Policy Address", the HK Government targets to increase the overall supply of transitional housing to 20,000 units in the coming few years by providing 5,000 additional units, and increasing the amount of funding under the relevant funding scheme to HK\$11.6 billion. On the other hand, the Northern Metropolis Development Strategy was released by the HK Government in 2021, covering two district administration areas including Yuen Long District and North District, encompassing mature new towns, new development areas and development nodes, with a total land area of about 300 square kilometres to be developed into an area with highly concentrated residential units, working population and enterprises. As the demand for passive fire protection works is highly associated with the housing supply and consequentially the number of tenders circulated for both the public and private sector, the expected rise in housing supply would thereby spur the demand in the industry according to the Industry Report.

Market Challenges

1. *Cyclical nature of construction industry*

As a part of the construction industry, passive fire protection works market follows the cyclicity of the construction industry, which is generally considered to be highly related to macroeconomic conditions, government policies and business cycle. For example, in the event of an economic downturn, the tightened financial budgets and higher costs of financing may make project owners be more conservative in initiating new projects or investing more resources. Similarly, if there are signs of slowing down in land supply or development programmes of the HK Government, the growth of passive fire protection works market in Hong Kong may be hindered.

2. *Rising cost of applicable materials and components*

Majority of materials and components of the passive fire protection works industry in Hong Kong is imported from countries encompassing the PRC, Germany, Mexico, India and South Korea. In particular, the price of fire rated boards, fire retardant wool and fire resistant paints, coating and plaster, has increased considerably with a CAGR recorded at approximately 7.8%, 5.8% and 17.3%, respectively, from 2016 to 2021. With slight fluctuation of the costs of materials, the industry may encounter further uncertainty in areas of budget control and project planning. The upstream suppliers and midstream contractor may encounter certain financial burden to sustain their operation.

3. *Shortage of labour and increasing labour cost*

According to the Construction Industry Council, labour engaged in the passive fire protection works industry in Hong Kong, including fire service mechanical fitter and fire service electrical fitter have all categorised into the list of shortage trades. The overall

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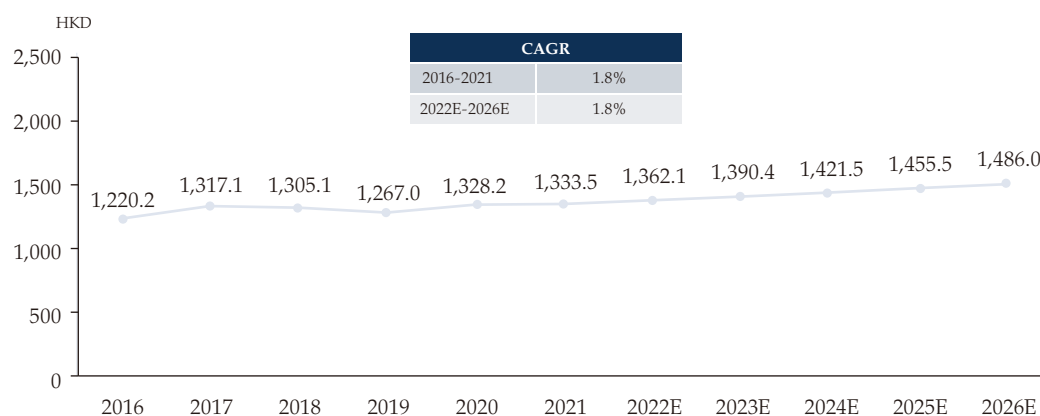
labour cost in the industry has also witnessed an increase with a CAGR of approximately 1.8% recorded from 2016 to 2021. With the implementation of the Statutory Minimum Wage, the shortage of skilled workers are inflicting financial burden to the service providers.

COST ANALYSIS

Labour cost

General workers and labourers, electrical fitter, bricklayer, plasterer and painter and decorator are the general labour types in particular in the passive fire protection works industry. The average daily wages has increased from approximately HK\$1,220.2 in 2016 to approximately HK\$1,333.5 in 2021, representing a CAGR of approximately 1.8%. With the continued shortage of labour, the average daily wages is anticipated to reach approximately HK\$1,486.0 in 2026, representing a CAGR of approximately 1.8% during 2022 to 2026.

Average daily wage of workers engaged in passive fire protection works market (Hong Kong), 2016-2026E



Source: Frost & Sullivan analysis which takes into account the information published by the Census and Statistics Department

Raw material cost

The table below sets forth the prices of key raw materials in passive fire protection works industry from 2016 to 2026, which encompasses firestop acrylic sealants, fire rated boards, fire rated doors, fire resistant paints, coatings and plasters, and fire retardant wool. In general, key raw material and components were imported from the PRC and foreign countries. The fast-growing market demand worldwide was mainly attributable to the accelerated urbanisation which resulted in a general increase in price levels. The demand driven by the rapid urban and infrastructure development in the PRC, coupled with the continuous advancement in material specifications and properties, has resulted in a surging import price in Hong Kong, particularly fire resistant paints, coating and plasters which recorded a CAGR of approximately 17.3% from 2016 to 2021. With the sustained development of the construction industry, the growth is anticipated to sustain in the forecast period. In addition to the above, steel products and pre-cast concrete are also commonly used materials in passive fire protection works.

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Average import price of major or commonly used materials used in the passive fire protection works market (Hong Kong), 2016-2026E

(Unit: US\$/tons)	2016	2017	2018	2019	2020	2021	2022E	2026E	CAGR (2016-2021)	CAGR (2022E-2026E)
Firestop acrylic sealant	2,495.0	1,676.0	2,729.0	2,730.0	2,762.0	3,442.0	3,682.9	4,632.1	6.6%	5.9%
Fire rated board	4,049.0	4,718.0	5,359.0	5,040.0	4,892.0	5,891.0	6,374.1	8,512.4	7.8%	7.5%
Fire rated door	2,081.0	2,028.0	2,482.0	2,959.0	2,802.0	2,836.0	3,031.7	3,914.8	6.4%	6.6%
Fire resistant paints, coating and plaster	2,623.0	3,358.0	4,448.0	4,587.0	5,416.0	5,825.0	6,809.4	9,264.2	17.3%	8.0%
Fire retardant wool	1,065.0	1,001.0	1,112.0	1,237.0	1,321.0	1,415.0	1,499.9	1,816.2	5.8%	4.9%
Pre-cast concrete	165.0	196.0	220.0	225.0	267.0	240.0	252.0	311.6	7.8%	5.4%

Source: Frost & Sullivan analysis which takes into account the information from Trade Map

Average wholesale prices of selected common types of steel used in passive fire protection works market (Hong Kong), 2016-2026E

Item	Unit	2016	2017	2018	2019	2020	2021	2022E	2026E	CAGR (2016-2021)	CAGR (2022E-2026E)
Galvanised mild steel – Steel plates	HK\$ per tonne	11,565.8	15,108.9	17,817.8	18,314.2	17,935.3	23,610.0	27,033.5	36,642.7	15.3%	7.9%
Galvanised mild steel – Steel angles		10,177.1	11,478.0	12,287.3	11,912.6	10,316.6	15,104.0	16,327.4	18,663.8	8.2%	3.4%
Galvanised mild steel – Steel Flats		8,744.3	9,989.4	12,626.9	14,722.3	13,979.3	18,664.0	21,650.2	29,564.2	16.4%	8.1%
Metal formwork – steel plates		4,823.8	5,380.8	5,815.4	6,034.3	5,659.4	8,906.0	10,019.3	13,133.2	13.0%	7.0%

Source: Frost & Sullivan analysis which takes into account the information published by the Census and Statistics Department

COMPETITIVE LANDSCAPE OF PASSIVE FIRE PROTECTION WORKS MARKET

The passive fire protection market in Hong Kong is highly competitive and the number of market participants is approximately 500 of which less than 100 market participants specialise in passive fire protection works and other market participants are mainly building protection contractors, E&M works contractors and fitting-out works contractors. Generally, the active fire protection works contractors do not directly compete with passive fire protection works contractors.

Some market participants are able to offer one stop service from design, sourcing, installation and maintenance of fire-rated products. Some large-scale market participants further engage in vertical integration by setting up own plant for metal works to meet diversified demands.

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For the year ended 30 June 2022, the passive fire protection market in Hong Kong was relatively concentrated with the five players contributing to approximately 53.6% of the entire market in terms of revenue. Our Group recorded revenue of approximately HK\$240.1 million for the provision of passive fire protection works for the year ended 30 June 2022, which in terms of revenue for the year ended 30 June 2022 accounted for (i) approximately 25.5% of the passive fire protection works market in Hong Kong; and (ii) approximately 6.7% of the building protection works market in Hong Kong.

Ranking of passive fire protection works market for the year ended 30 June 2022 in Hong Kong in terms of revenue

Rank	Companies	Focus of passive fire protection service offering	Listing Status	Estimated Revenue in Year ended 30 June 2022 (HK\$ million)	Market Share
1	Our Group	Comprehensive solutions including fire rated boards, fire resistant paints and fire resistant plasters	Private	240.1	25.5%
2	Sherex Engineering Limited	Fire-rated doors	Private	92.3	9.8%
3	Wing Yip Ceiling Engineering Company Limited	Fire-rated boards	Private	80.5	8.6%
4	Trigon Building Materials Limited	Fire-rated boards	Subsidiary of a Listed Company	52.6	5.6%
5	Seapark Engineering Company Limited	Fire-resistant paints	Private	38.3	4.1%
	Top five subtotal			503.8	53.6%
	Others			436.5	46.4%
	Total			940.3	100.0%

Source: Frost & Sullivan analysis which takes into account the information published on the websites of companies and the annual report of a listed company

- i. Sherex Engineering Limited is a passive fire protection services provider in Hong Kong, principally engaged in retailing and wholesale, and installation of fire-rated doors for both the public and private sector.
- ii. Wing Yip Ceiling Engineering Company Limited is a ceiling and wall installation engineering company in Hong Kong and Macau, and it has participated in numerous public and private projects, including commercial buildings, schools, hospitals, hotels, plants and residential.
- iii. Trigon Building Materials Limited is a wholly-owned subsidiary of a company listed on the Stock Exchange. It specialise in supply and installation of building materials such as ceiling system, wood flooring and kitchen cabinet, etc. and is engaged in the provision of passive fire protection works. The listed company is engaged in a variety of businesses: building construction, interior and renovation works, supply and installation of building materials, property development, property investment, property agency and management, project management and trading of health products.
- iv. Seapark Engineering Company Limited is a passive fire protection services provider in Hong Kong with the focus on fire resistant paints, and with a focus on commercial buildings and public amenities.
- v. None of the market participants listed above is engaged in the provision of active fire protection services.

According to the Industry Report, our Group had a higher market share of the passive fire protection market in Hong Kong in 2022 than any of the other top five players, mainly due to the strong focus of our Group on providing comprehensive passive fire protection services involving the offering of different types of passive fire protection materials for over 15 years. In contrast, the other top five players generally focused on certain types of passive fire protection materials only, such as fire-rated doors or fire resistant paint. Unlike our Group which specialises in passive fire protection work, some of the other top five players provides a wider scope of construction-related services which included passive fire protection services among other businesses, therefore passive fire protection is not their sole business focus. Accordingly, it is expected that other top five

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players would need additional effort and resources to change their business focus and expand the types of passive fire protection materials they cover, establish a similar network of relationships with customers and suppliers, and develop a relevant track record involving different types of passive fire protection materials to compete against our Group more effectively in passive fire protection works. Thus, the above is a competitive edge that our Group has over its peers, according to the Industry Report.

Entry barriers

1. *Proven track record*

Proven track record is one of the key competitive factors in the passive fire protection works industry. Credible track record for quality of works, efficient division of labour, timely delivery within budget control are the critical metrics for the companies to perform passive fire protection works. Property developers and main contractors in Hong Kong prefer working with passive fire protection contractors with a proven track record to ensure delivery of high-quality and timely services. New entrants without sound reputation built on the past collaboration with the industry stakeholders and experience in delivering passive fire protection services are thus not able to compete as effectively in the market as passive fire protection contractors with a proven track record according to the Industry Report.

In addition, as a passive fire protection contractor's track record grows, it will be able to leverage its proven track record to bid for future projects involving the same worksite as its previous projects or other worksites in the vicinity given that its experience provides familiarity with the project design and/or specific requirements involving the worksites in the area which greatly increase the success rate for bidding for such projects according to the Industry Report.

2. *Technical know-how*

Technical knowledge is one the key barriers for new market entrants of passive fire protection works. Existing market participants generally have a strong understanding towards installation, repair and maintenance service of fire-resistance rated walls and ceilings in order to deliver quality services given the demand for such works. However, technical know-how, such as intimate knowledge of passive fire protection materials, is essential as selecting appropriate passive fire protection materials significantly affects the effectiveness of passive fire protection works. Examples of such knowledge of passive fire protection materials include familiarity with the specifications of variety of passive fire protection materials and appropriate methods of their installation or application, the effects of environmental factors such as humidity and heat on the materials, and proper handling and storage to avoid damage to such materials or reduction in their fire reduction effectiveness. Without such technical knowledge, new market participants may perform defective works such as failing to apply fire resistant paint uniformly or with sufficient thickness across structural beams to achieve the required standard fire rating, or failing to account for humidity of the environment on the applied coating of paint which may damage the effectiveness of such paint. In the event of such defective works, there is a greater risk of failure to pass the inspections and assessments of fire safety standards by the Fire Services Department or a compromise on the integrity of the building which may lead to building collapse and casualties in the event of a fire. With such technical know-how, the quality of works can be assured and the diversified demand of customer can be met.

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3. *Initial capital requirements*

Capital requirements serve as the barrier to the new entrants in the passive fire protection works market. In the passive fire protection works industry, a sufficient capital reserve is required for recruitment of workers, raw materials procurement as well as payment to workers. In addition, substantial amount of capital is needed for the issuance of surety bond. More importantly, passive fire protection contractors who have set up own plants are able to show its strong production capability for large scale projects. They are more likely to undertake sizeable projects compared with those contractors without plants. Contractors without plants might lose in the competition and exit the market afterwards.

4. *Established relationships with suppliers of materials and ability to procure suppliers' fire certificates of fire resistant materials*

Established relationships with various suppliers of materials enable passive fire protection services providers to maintain a continuous supply of quality materials or services at a competitive pricing. In addition, it is vital that passive fire protection service providers procure suppliers' fire certificates confirming that the specified quantity of the passive fire protection materials has been used in the relevant project, which is normally one of the documents submitted for fulfilling the Fire Services Department's and Buildings Department's assessments. Given the reputational risk to the suppliers of materials if their materials are not properly applied by the relevant passive fire protection service providers in a construction project, suppliers of materials are generally only willing to provide such suppliers' fire certificates after careful assessment to its satisfaction that the relevant passive fire protection service providers are appropriately experienced to carry out the work.

Passive fire protection service providers may earn the trust of suppliers of materials over time through the suppliers of materials' experience in, and appraisal of past projects whereby they gain greater familiarity with such service providers' operations, quality of services, and staff competence. Thus, some well-established and experienced passive fire protection contractors can procure suppliers of certain popular passive fire protection materials to issue suppliers' fire certificates with greater ease than those less-experienced service providers without such trusting relationships in order to satisfy the Fire Services Department's and the Buildings Department's inspections and assessments of buildings under relevant codes and practice notes such as Code of Practice for Fire Safety in Buildings and Practice Note for Authorized Persons, Registered Structural Engineers and Registered Geotechnical Engineers (App-13) issued by the Buildings Department. Familiarity with the characteristics of various passive fire protection materials and established working relationships with various suppliers of materials facilitate the proper application of the right materials in construction projects and the procurement of suppliers' fire certificates and other relevant ancillary documents from suppliers of materials for customers which is a key part of the customers' quality control process.

Factors of competition

1. *Comprehensive offering*

Contractors who are able to provide comprehensive passive fire protection services are generally preferred by the customers. By engaging in design and installation work as well as related information services and offering different types of fire resistant products, the passive fire protection services contractors are able to acquire and attain customers with integrated solutions. Besides, it is the rising trend in the passive fire protection services industry need to prove that it can provide high quality of services to meet higher regulatory standards and customer requirements. Passive fire protection works may involve various types of works which have a corresponding trade under the registers under the Registered Specialist Trade Contractor Scheme such as installation of fire rated doors, application of fire resistant paints, and metal work. Given that major market players and trade associations recognise the Registered Specialist Trade Contractor Scheme, subcontractors with a variety of registrations under this scheme may enjoy enhanced recognition in pertinent trades by fulfilling the registration requirements and performance standards under the Registered Specialist Trade Contractor Scheme, and thus be more attractive to customers according to the Industry Report.

2. *Established relationship*

In general, contractors with long-established relationships are preferred by customers as they have a better understanding of customers' requirements and most importantly they are in a better position to provide customised services for customers by saving time and cost in negotiation and coordination. In addition, the long-term relationships with suppliers of materials would help passive fire protection service providers maintain a competitive pricing and stable supply. It is also crucial for passive fire protection service providers, along with manufacturer, to liaise with suppliers of materials to provide suppliers' fire certificate/procure the issuance of fire test report to customers in order to meet the regulatory standard. In addition, passive fire protection contractors and subcontractors prefer to work with customers who are able to settle their payments on time.

3. *Industry expertise*

Industry expertise is crucial to gaining the trust of customers and industry recognition. The extensive experience in delivering passive fire protection services such as fire-resistance rated walls and ceilings installation and maintenance, is the indistinguishable asset in the market. Having an experienced management and engineering team, (i) contractors could price their tenders and quotations accurately, thereby minimising cost overrun and increasing the competitiveness of contractors; and (ii) engage in passive fire protection design in the early stage of project planning.

4. *Approved lists of products and approved contractors*

Buildings Department has provided a list of certain approved fire protection products for reference and suppliers of materials may maintain their own list of approved

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contractors to recognise their partners. Service providers are keen to follow the list for fire rated products provided by Buildings Department and keen to be recognised by suppliers of materials in order to build close relationships with them. Following review and assessment, the approved contractors would be connected to the network of ongoing projects of the suppliers so that they could maintain the very highest levels of quality and support. Connected with the suppliers, the approved contractors are at the better position to identify specific opportunities by having more chances to promote products and services.

COMPETITIVE STRENGTHS OF OUR GROUP

Please refer to the section headed “Business — Competitive strengths” in this prospectus for a detailed discussion of competitive strengths of our Group.

DIRECTORS’ CONFIRMATION

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information therein.

OVERVIEW

Our Group is a contractor specialising in passive fire protection works in Hong Kong during the Track Record Period and up to the Latest Practicable Date. This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

THE LAWS AND REGULATIONS OF HONG KONG

A. Laws and regulations in relation to construction labour, health and safety

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- (a) providing and maintaining plant and work systems that do not endanger safety or health;
- (b) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- (c) providing all necessary information, instructions, training and supervision for ensuring safety and health;
- (d) providing and maintaining safe access to and egress from the workplaces; and
- (e) providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months. Our Group may be considered to be regarded as a proprietor as our operations encompass management or control of the projects which we carry on in the construction works, and any breach of duty as a proprietor under the Factories and Industrial Undertakings Ordinance may render our Group liable to a fine of HK\$500,000.

We are required to comply with Section 6BA of the Factories and Industrial Undertakings Ordinance which provides that persons employed by industrial undertakings who are engaged in construction works must attend the relevant safety

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training courses recognised under the Factories and Industrial Undertakings Ordinance and be issued a Green Card pursuant to the attendance of such safety training courses. It is a duty of every proprietor of an industrial undertaking engaging in construction work not to employ at the undertaking a relevant person who has not been issued a relevant Green Card or whose relevant Green Card has expired. A Green Card shall expire between 1 to 3 years after the date on which the relevant certificate was issued. A proprietor who contravenes the said Section 6BA commits an offence and is liable to a fine of HK\$50,000. Records of persons employed were kept by our Group and our subcontractors to ensure compliance.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong) includes (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities. Non-compliance with any of these rules constitutes an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months. As the Construction Sites (Safety) Regulation is applicable to all construction work, all construction sites and all machines, plant and materials which construction work is carried on, we are required to comply with the Construction Sites (Safety) Regulations.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- (a) provision and maintenance of plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) as regards any workplace under the employer's control:
 - (i) maintenance of the workplace in a condition that is safe and without risks to health; and
 - (ii) provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;

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- (d) providing all necessary information, instructions, training and supervision for ensuring safety and health;
- (e) provision and maintenance of a working environment that is safe and without risks to health; and
- (f) provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks.

Failure to comply with any of the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commission for Labour may also issue an improvement notice against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

As our Group employs workers to carry out works at the workplaces, such as construction sites, our Group is subject to the Occupational Safety and Health Ordinance to, as far as reasonably practicable, ensure the safety and health protection to our workers. We have set up an occupational health and safety system to promote safe working practices among all employees to prevent occurrence of accidents in our daily operation. For details, please refer to the section headed “Business — Occupational health and safety” in this prospectus.

Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees’ Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to Section 15(1A) of the Employees’ Compensation Ordinance, an employer shall report work injuries which result in total or partial incapacity of its employee to the Commissioner for Labour not less than 14 days after the accident.

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Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under Section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with Section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and imprisonment for 2 years.

As our Group employs workers and staff members who may be exposed to injuries whilst in the course of their works, our Group shall comply with the Employees' Compensation Ordinance in taking out insurance policy to cover our Group's liabilities in the event of injury occurring to employees in the course of their works and is obliged to report the injury of employees to the Labour Department in accordance with the provision of the Employees' Compensation Ordinance.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

A main contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to Section 43C of the Employment Ordinance, a main contractor, or a main contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a main contractor and superior subcontractor (where applicable) shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the main contractor.

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Upon receipt of such notice from the relevant employee, a main contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A main contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to Section 43F of the Employment Ordinance, if a main contractor or superior subcontractor pays to an employee any wages under Section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the main contractor or superior subcontractor, as the case may be. The main contractor or superior subcontractor may either (1) claim contribution from every superior subcontractor to the employee's employer or from the main contractor and every other such superior subcontractor as the case may be, or (2) deduct by way of set off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

As our Group subcontracts its passive fire protection works to subcontractors, our Group as a superior subcontractor may be subject to claim(s) by the workers of our subcontractors and be held liable for wages of workers of our subcontractors if any of our subcontractors fails to pay wages to its employees

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Employers are required to enrol their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund ("MPF") scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to maximum and minimum levels of income (HK\$30,000 and HK\$7,100 per month respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,500 on or after 1 June 2014. Employers will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income.

Industry Scheme

Industry Schemes were established under the MPF system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are "casual employees" whose employment is on a day-to-day basis or for a fixed period of less than 60 days.

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For the purpose of the Industry Schemes, the construction industry covers eight categories, including (1) foundation and associated works; (2) civil engineering and associated works; (3) demolition and structural alteration works; (4) refurbishment and maintenance works; (5) general building construction works; (6) fire services, mechanical, electrical and associated works; (7) gas, plumbing, drainage and associated works; and (8) interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

As our Group retains regular employees in the construction sites, our Group is obliged to make mandatory provident contributions to our employees.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

As our Group rents several properties, our Group is considered to be an occupier of such properties under the Occupiers Liability Ordinance.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

According to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) shall take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

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Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)

The Construction Workers Registration Ordinance provides, among others, for registration and regulation of construction workers. The principal objective of the Construction Workers Registration Ordinance is to establish a system of registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

Under Section 3(1) and Section 5 of the Construction Workers Registration Ordinance, a person shall not personally carry on a construction site construction work unless the person is a registered construction worker of the Register of Construction Workers. Hence, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction works on construction sites.

Under the Construction Workers Registration Ordinance, a subcontractor, in relation to a principal contractor, is defined as any person who enters into a contract with another person (whether or not the principal contractor) to undertake all or any part of the construction work that the principal contractor has undertaken. As our Group is within the definition of a subcontractor under the Construction Workers Registration Ordinance, our Group is required to only employ registered construction workers to personally carry out construction works for our projects. During the Track Record Period and as at the Latest Practicable Date, all our employees carrying out construction works on construction sites were registered as registered construction workers under the Construction Workers Registration Ordinance.

B. Contractor licensing regime and operation

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)

Under the Construction Industry Council Ordinance, a main contractor involved in public works contracted to them involving structural works, finishing works and/or electrical and mechanical works under the Primary Register of the Subcontractor Registration Scheme shall only engage subcontractors who are registered under the Subcontractor Registration Scheme.

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council. The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme.

If a registered subcontractor further subcontracts any part of the public sector works subcontracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme, the main contractor shall ensure that all subcontractors (irrespective of tier) are registered subcontractors under their relevant trades in the Primary Register of the Subcontractor Registration Scheme.

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On 1 April 2019, the Subcontractor Registration Scheme was subsequently renamed as the Registered Specialist Trade Contractors Scheme (the “**RSTCS**”) comprising two registers namely the Register of Specialist Trade Contractors (the “**RSTC**”) and the Register of Subcontractors (the “**RS**”). All references to the Subcontractor Registration Scheme shall be substituted by the RSTCS with effect from 1 April 2019.

For an application for registration on the RS, an entity holding a valid business registration in Hong Kong which meets the registration requirements as set out by the Construction Industry Council in the Rules and Procedures for the RS may apply for registration on the RS. According to the Rules and Procedures for the RS published in March 2023, the registration requirements for registration on the RS are either (a) completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialties for which registration is applied; or comparable experience acquired by the applicant or its proprietors, partners or directors within the last five years; or (b) listings on one or more government registration schemes relevant to the trades and specialties for which registration is sought; or (c) the company’s proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applied for and having completed all the modules for the project management training series for subcontractors (or equivalent) conducted by the Construction Industry Council; or the company’s proprietor, partner or director having registered as registered skilled worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years’ experience in the trade/specialty applied for and having completed the senior construction workers trade management course (or equivalent) conducted by the Construction Industry Council.

All subcontractors who are registered under the previous seven designated trades, namely, demolition, concreting formwork, reinforcement bar fixing, concreting, scaffolding, curtain wall and erection of concrete precast component of the Subcontractor Registration Scheme have automatically become registered specialist trade contractors. All subcontractors who are registered under the remaining trades of the Subcontractor Registration Scheme have been retained as registered subcontractors. Up to the Latest Practicable Date, there are 12 designated trades with the addition of the following trades in the RSTC: plastering, suspended ceiling, tower crane (erecting, dismantling and altering height), building drainage installation and levelling & setting out.

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Registered specialist trade contractors within each designated trade are further divided into Group 1 (“**Group 1**”) or Group 2 (“**Group 2**”) according to the relevant registration requirements under the RSTCS fulfilled by them. For an application for registration on the RSTC, the applicant shall possess or set up in Hong Kong a place of business as defined in section 2 of the Business Registration Ordinance and it has to meet the prescribed registration requirements as set out in Schedule 2 of the Rules and Procedures for the RSTC in respect of the applied trade category in order to make an application for registration on the RSTC. For the registration requirements of the designated trade of suspended ceiling, the requirements as set out in the Rules and Procedures for the RSTC published in March 2023 for Group 1 and Group 2 are as follows:

	Group 1 ^{Note 4}	Group 2 ^{Note 4}
1. Safety		
1.1 Full-time qualified safety personnel	at least one personnel with safety supervisor qualification ^{Notes 1 & 3}	at least three personnel with safety supervisor qualification ^{Notes 1 & 3}
1.2 Site safety record	provide the proof for at least one project of no less than HK\$1 million with satisfactory performance	provide the proof for at least two projects of no less than a total of HK\$10 million with satisfactory performance and at least one project of no less than HK\$5 million
2. Management		
2.1 Senior management	at least one director with five years of relevant project management experience ^{Note 3}	at least one director with five years of relevant project management experience ^{Note 3}
2.2 Technical staff	at least one technical staff with five years of experience and qualification relevant to the designated trade applied for (skilled worker or above) ^{Notes 2 & 3}	at least three technical staff with five years of experience and qualification relevant to the designated trade applied for (skilled worker or above) ^{Notes 2 & 3}
2.3 Continuous professional development (CPD)	each of the abovementioned management (including safety staff) should have completed at least five hours per year of recognised CPD training	each of the abovementioned management (including safety staff) should have completed at least five hours per year of recognised CPD training
3. Job Experience		
3.1 Track record	provide the proof for at least one project of no less than HK\$1 million with satisfactory performance	provide the proof for at least two projects of no less than a total of HK\$10 million with satisfactory performance and at least one project of no less than HK\$5 million
4. Execution		
4.1 Long-term employment staff (including technical staff)	at least two semi-skilled/skilled workers ^{Notes 2 & 3}	at least six semi-skilled/skilled workers ^{Notes 2 & 3}

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	Group 1 ^{Note 4}	Group 2 ^{Note 4}
5. Finance		
5.1 Employed capital	minimum HK\$0.5 million	minimum HK\$1.5 million
5.2 Working capital	minimum HK\$0.5 million	minimum HK\$1.5 million
5.3 Audited report	submit the annual return and audited financial statements	submit the annual return and audited financial statements
6. Integrity		
6.1 Integrity Policy	submit company integrity policy	submit company integrity policy
6.2 Integrity Training	at least one senior management staff should have completed at least one hour of relevant integrity training within each term of registration	at least one senior management staff should have completed at least one hour of relevant integrity training within each term of registration

Notes:

- (1) Safety supervisor qualification refers to a person who has completed the construction industry safety supervisor course organised by the Construction Industry Council or Occupational Safety and Health Council or above.
- (2) Skilled or semi-skilled workers refer to registered skilled or semi skilled workers registered with the relevant trade divisions under the Construction Workers Registration Ordinance.
- (3) As at the Latest Practicable Date, we had (i) four staff who satisfied registration requirement 1.1; (ii) one staff who satisfied registration requirement 2.1; (iii) three staff who satisfied registration requirement 2.2; and (iv) six staff who satisfied registration requirement 4.1.
- (4) If we fail to meet the registration requirements such that we are not entitled to be registered, our registrations may be cancelled or be unable to renew upon their expiry (for details, please refer to the section headed "Risk factors — The loss of or failure to obtain and/or renew our registrations under the Registered Specialist Trade Contractors Scheme could materially and adversely affect us" in this prospectus).

The registration of a registered specialist trade contractor under Group 1 or Group 2 will affect the tender limit (the "**Tender Limit**") of contracts/subcontracts of works that a registered specialist trade contractor may undertake. The tender limits for tenders to be invited for subcontractors vary among the different designated trade categories for Group 1, whereas there is no limit to the tender value of contracts/subcontracts for designated trade categories for Group 2. For the designated trade of suspended ceiling, the Tender Limit of contract/subcontract values up to HK\$7 million for Group 1 is imposed for projects to be invited for tenders on or after 1 January 2023, whereas there is no Tender Limit imposed for Group 2.

As at the Latest Practicable Date, Easy Smart Engineering was registered (i) in the RS of the Construction Industry Council in the trades of shutters/doors fabrication and installation — fire rated door, painting — others (fire protection paint), other finishing trades and components — others (fire protection enclosure), other finishing trades and components — others (fire protection plaster), structural steelwork and metal work; and (ii) in the RSTC of the Construction Industry Council in the trade of suspended ceiling (Group 2), and Easy Smart Maintenance was registered (i) in the RS of the Construction

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Industry Council in the trades of shutters/doors fabrication and installation — fire rated door, painting — others (fire protection paint), other finishing trades and components — others (fire protection enclosure) and other finishing trades and components — others (fire protection plaster); and (ii) in the RSTC of the Construction Industry Council in the trade of suspended ceiling (Group 1).

Regarding the registration of a registered specialist trade contractor, when a registered specialist trade contractor meets all the relevant requirements of change of registration and the registered specialist trade contractor is suitable for registration with the grouping changed, the Committee on RSTCS may change a registered specialist trade contractor's grouping upon application for change of grouping (upgrade to Group 2) made by the registered specialist trade contractor.

According to the Model Clauses for engagement of subcontractors registered from the Registered Specialist Trade Contractors Scheme of the Construction Industry Council published in June 2022, certain special conditions of the contract are proposed to be incorporated into the Agreement & Schedule of Conditions of Building Contract for use in Hong Kong, amongst which, it proposes that the main contractor shall only engage a subcontractor of the respective designated trade if (i) a subcontractor has completed registration under the relevant designated trades in the RSTCS before the commencement of the works under the relevant sub-contract; and (ii) if the value of the relevant subcontract exceeds the tender limit of Group 1, the subcontractor has been admitted into Group 2 before the commencement of the works under the relevant subcontract.

During the Track Record Period, we undertook three projects, namely Projects 99, 4433 and 5331, that involved the designated trade of suspended ceilings and with the subcontract value exceeding HK\$7 million based on the original contract sum of such projects. The original contract sum of the above projects ranged from approximately HK\$9.1 million to HK\$36.5 million. The revenue derived from these projects was approximately HK\$12.3 million, nil, HK\$1.6 million and HK\$0.9 million, representing approximately 8.2%, nil, 0.7% and 0.7% of our revenue for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively.

Easy Smart Engineering applied for a change of grouping (i.e. upgrade to Group 2 without tender limits) in November 2022 and was registered in the designated trade of suspended ceiling (Group 2) effective 17 March 2023. Taking into account (i) the successful registration of Easy Smart Engineering as a registered specialist trade contractor for the designated trade of suspended ceiling (Group 2) with no Tender Limit imposed; and (ii) our existing projects (including the five earmarked projects, namely, Projects 5330, 5121, 5399, 5153 and 5411, which we intend to allocate a portion of the net proceeds from the Share Offer) have been tendered before the implementation of the Tender Limit on 1 January 2023, we did not experience any significant impact from the aforesaid tender limits on projects involving suspended ceiling to our Group's operations and financial performance before the effective registration on 17 March 2023.

C. Laws and regulations in relation to environmental protection

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

The Air Pollution Control Ordinance provides that the owner of any premises, which includes a contractor who has possession of a site for the purpose of construction work, used for conduct of any process specified in Schedule 1 of the Air Pollution Control Ordinance shall use best practicable means for preventing the emission of noxious or offensive emissions from such premises and for preventing the discharge, whether directly or indirectly, of such emissions into the atmosphere, and for rendering such emissions where discharged harmless and inoffensive. Any person who fails to comply with the provision commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months, and, in addition, if the offence is a continuing offence, to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong), the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong) and the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

As we are a subcontractor who has possession of a site for the purpose of construction work, we are required to use best practicable means for preventing emission of noxious or offensive emission from the construction sites when works are carried out.

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for

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percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

As a subcontractor, our Group is required to comply with the Noise Control Ordinance in carrying out general construction works, including not to carry out construction activities during restricted hours unless construction noise permits are obtained.

Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, manufacturing, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of the Environmental Protection Department.

All discharges, other than domestic sewage to a communal foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000 and (c) in addition, if the offence is a continuing offence, a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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As our operations may generate waste water, our Group is required to observe and comply with the Water Pollution Control Ordinance in the discharge of the waste water generated from the construction activities.

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

The Waste Disposal Ordinance controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence, and in addition, if the offence is a continuing offence to a fine of HK\$100,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

As our Group may create significant solid and chemical wastes during and after construction works, we are required to observe and comply with the Waste Disposal Ordinance when we dispose of the wastes.

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

The Public Health and Municipal Services Ordinance regulates, among other things, activities that are carried out in Hong Kong that may be considered a nuisance or injurious or dangerous to health, including construction works.

Pursuant to Section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or of that person cannot be found, on the

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occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

Any person by reason of whose act, default or sufferance the nuisance arose or continues, or if that person cannot be found, the occupier or owner of the premises on which the nuisance exists, who does not observe and comply with the nuisance notice could be held liable, where the premises is found to be in such a state so as to be a nuisance and injurious to health, or where the emission of dust from any building under the construction or demolition is found to be in such a manner so as to be a nuisance, to a fine of up to HK\$10,000 and a daily fine of HK\$200.

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is HK\$10,000 upon conviction and a daily fine of HK\$200.

As our Group may create dust and may accumulate refuse in the course of and after conducting the passive fire protection works, we are required to observe and comply with the Public Health and Municipal Services Ordinance.

D. Others

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

Effective since 14 December 2015, the Competition Ordinance prohibits and deters undertakings in all sectors from adopting anti-competitive conducts which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong. The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. The scope of application of the merger rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Pursuant to Section 82 of the Competition Ordinance, if the Competition Commission has reasonable cause to believe that (a) a contravention of the first conduct rule has occurred; and (b) the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice (a “**warning notice**”) to the undertaking.

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Under Section 67 of the Competition Ordinance, where a contravention of the first conduct rule has occurred and the contravention involves serious anti-competitive conduct or a contravention of the second conduct rule has occurred, the Competition Commission may, instead of bringing proceedings in the Tribunal in the first instance, issue a notice (an “**infringement notice**”) to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes a commitment to comply with requirements of the infringement notice.

“Serious anti-competitive conduct” means any conduct that consists of any of (a) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (b) allocating sales, territories, customers or markets for the production or supply of goods or services; (c) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; (d) bid-rigging.

In the event of breach of the Competition Ordinance, the Competition Tribunal may make orders including: imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; disqualifying a person from acting as a director of a company or taking part in the management of a company; prohibiting an entity from making or giving effect to an agreement; modifying or terminating an agreement; and requiring the payment of damages to a person who has suffered loss or damage.

Our Directors are of the view that only the first conduct rule and the second conduct rule of the Competition Ordinance may apply on our Group, the merger rule of the Competition Ordinance does not.

Our Directors confirmed that we had not adopted any anti-competitive conduct described in the Competition Ordinance during the Track Record Period and up to the Latest Practicable Date. Our Group secures most of our projects from customers through tenders which are submitted upon our own commercial decisions. Although, according to the Industry Report, our Group was ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong, our Directors consider that such market share is not, and will not, be regarded as having substantial market power even if our Group successfully expands our market share because the expansion of our Group’s business will not result in imposing any barriers to entry or expansion to other services providers and market concentration.

REGULATORY OVERVIEW

Proposed security of payment legislation for the construction industry

The HK Government has conducted a public consultation on the proposed Security of Payment Legislation (“SOPL”) to promote fair payment and help main contractors, subcontractors, consultants, sub-consultants and suppliers to receive payment on time for work done and services provided, so as to improve payment practices and provide rapid dispute resolution.

All contracts and sub-contracts, whether in written or oral form, for (a) government works under which the HK Government and specified public entities procure construction and maintenance activities or related services, materials or plant; and (b) private sector works, under which private entities procure construction activities for new buildings (as defined in the Buildings Ordinance) with a main contract value of over HK\$5 million or procure related services, material or plant or supply-only contracts with a contract value of over HK\$500,000, will be governed by the SOPL. Where the main contract is covered by the SOPL, all subcontracts (irrespective of tier) will be covered by the SOPL regardless of value.

The SOPL will, among others, (a) prohibit “pay when paid” and similar terms in the contracts; (b) prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments; (c) enable parties who are entitled to progress payments under the terms of a contract covered by the SOPL to claim such payments as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and parties who are entitled to payments under statutory payment claims will be entitled to pursue adjudication if the statutory payment claims are disputed or ignored; and (d) grant parties the right to suspend or reduce the rate of progress of works after either non-payment of an adjudicator’s decision or non-payment of amounts admitted as due.

Since the public consultation on the proposed SOPL for construction industry in June 2015 and the report on public consultation released by the Legislative Council Panel on Development in April 2016, the SOPL bill has yet to be passed by the Legislative Council. However, the Development Bureau published a Circular on Security of Payment Provisions in Public Works Contracts (the “Circular”) in October 2021, which sets out the policy on the implementation of the spirit of the SOPL in public works contracts with a view to facilitating timely processing of contract payments and providing an interim mechanism for speedy resolution of payment disputes before the enactment of the SOPL. The scope of contracts covered by the Circular includes public works contracts, term contracts and related subcontracts tendered (a) on or after 31 December 2021, for tenders to be invited from Group B or Group C contractors on the List of Approved Contractors for Public Works; and (b) on or after 1 April 2022, for tenders to be invited from other contractors on the List of Approved Contractors for Public Works or the List of Approved Suppliers of Materials and Specialist Contractors for Public Works.

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The Circular has the effect of introducing mandatory security of payment provisions into public works contracts. The Circular includes a security of payment framework (“**SOP Framework**”) and the four mandatory requirements of the SOP Framework that the parties will not be able to contract out of when the SOPL is implemented are:

- (a) a payment response shall be served by the paying party on the claiming party within 30 days following receipt of a payment claim and the paying party shall make payment of admitted amount within 60 days to the claiming party from the date of payment claim served by the claiming party;
- (b) conditional payment provisions (for example, pay when paid clauses) shall be rendered ineffective and unenforceable;
- (c) claiming party may refer a payment dispute to adjudication through which the adjudicator shall decide on the payment dispute within 55 working days from the date of his/her appointment. The paying party shall then pay the adjudicated amount as decided by the adjudicator; and
- (d) claiming party may exercise a right of suspension or reduce the rate of progress if the admitted amount or adjudicated amount is not received.

Further, two types of securities of payment (“**SOP**”) provisions are incorporated into public works contracts through additional conditions of contract (“**ACC**”) and special conditions of contracts (“**SCC**”) provisions, namely applicable parts of the SOP Framework and other conditions falling outside the SOP Framework. Those of the second category include:

- (a) Mandatory sub-contract conditions – The SOP Framework should be applied to all sub-contracts, including sub-contracts for supplies and service. Contractors are required to ensure the incorporation in all relevant subcontracts at all tiers, confirm this to the contract administrator and produce supporting documentary records. Compliance will also be verified by the Works Department through technical audit of contractors and contract administrators will be subject to spot-checks.
- (b) Direct payment for settlement of unpaid adjudicated amount — a subcontractor claimant may request the employer to make direct payment for settlement of unpaid adjudicated amount under the relevant subcontract which has been incorporated with the SOP provisions by submitting a certified copy of the adjudication together with the documentary proof of performance of work to which the adjudicated amount relates and a declaration by the claimant sub-contractor that the adjudicated amount remains unpaid.

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As the ACC and SCC will be incorporated into contracts and sub-contracts for public works projects tendered from 31 December 2021 onwards, it is probable that the SOP Framework will apply to our new public works subcontracts under main contracts which provide for SOP provisions, despite the final legislative framework is to be submitted to the Legislative Council for consideration and approval was still uncertain as at the Latest Practicable Date.

During the Track Record Period, we have not adopted the “pay when paid” clauses with any of our subcontractors. Furthermore, for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our Group’s trade payables turnover days were approximately 22.3 days, 30.9 days, 19.4 days and 17.0 days, respectively, whereas our Group’s trade receivables turnover days were approximately 23.9 days, 28.4 days, 22.9 days and 14.3 days, respectively. Based on the above and subject to the terms of the final terms of the SOPL, our Directors believe that our Group will comply with the requirements as set out in the Circular for the applicable public works subcontracts and will ensure that the terms of our upcoming contracts and payment periods with our subcontractors will comply with the proposed legislation in this regard.

E. Compliance with the relevant requirements

Our Directors confirmed that our Group has obtained all relevant permits/registrations/licences for its existing operations during the Track Record Period and up to the Latest Practicable Date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

MAJOR MILESTONES

The following illustrates our major business development milestones and achievements of our Group:

Timeline	Milestones
June 2001	Easy Smart Engineering was incorporated in Hong Kong on 6 June 2001
March 2004	Easy Smart Engineering was first approved to be included in the List of Registered Subcontractors through PCICB Registration Limited under the trades of shutters/doors fabrication and installation as well as painting on 17 March 2004
November 2004	The trades specialities of fire protection plaster, fire protection paint, fire protection board and fire installations were first added to the trades in the List of Registered Subcontractors of Easy Smart Engineering
June 2009	Easy Smart Maintenance was incorporated in Hong Kong on 4 June 2009
September 2010	Easy Smart Engineering entered into a contract in relation to the government office at Tamar
June 2012	Easy Smart Engineering entered into a contract in relation to a cruise terminal at Kai Tak
June 2014	Easy Smart Engineering was first awarded the ISO 9001:2015 Certificate by the Hong Kong Assurance Agency in June 2014
August 2015	Easy Smart Engineering entered into the first contract in relation to the high speed rail link at West Kowloon
September 2018	Easy Smart Engineering entered into the first contract in relation to the terminal at an airport in Hong Kong
October 2019	Easy Smart Engineering was awarded a project in relation to the sports park at Kai Tak
June 2020	E-Build Technology was incorporated in Hong Kong on 19 June 2020
September 2021	Our Company was incorporated in the Cayman Islands on 7 September 2021

OUR CORPORATE HISTORY

Overview

We operate our business through our three operating subsidiaries, namely, Easy Smart Engineering, Easy Smart Maintenance and E-Build Technology.

The history of our Group begins in around June 2001 when Easy Smart Engineering was incorporated to undertake passive fire protection works in Hong Kong. Easy Smart Engineering was co-founded by Mr. Dave Ng (the chairman of our Board, the chief executive officer and one of our Controlling Shareholders) with his mother, Ms. Lim, when Ms. Lim owned 99% interests in Easy Smart Engineering and Mr. Dave Ng owned 1%. Although Ms. Lim by her majority in interests provided most funds in the initial establishment of the business, Mr. Dave Ng by his academic qualification and working experience has been in-charge-of the business operation of Easy Smart Engineering. Mr. Dave Ng has been a director of Easy Smart Engineering since the incorporation of Easy Smart Engineering. For details of background and relevant experience of Mr. Dave Ng, please refer to the section headed "Directors and senior management" in this prospectus. Under the leadership of Mr. Dave Ng, our Group has undergone the business development milestones and achievements as detailed in the paragraph above in this section. For details of our business and operations during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed "Business" in this prospectus.

Our operating subsidiaries

Our Group consists of three operating subsidiaries, namely, Easy Smart Engineering, Easy Smart Maintenance and E-Build Technology. Easy Smart Engineering accounted for most of our operations during the Track Record Period. It is our longest established subsidiary and over 90% of our revenue and profit during the Track Record Period was generated from it. Easy Smart Engineering and Easy Smart Maintenance are our principal operating subsidiaries, and they are both engaged in the provision of passive fire protection works. Generally, Easy Smart Engineering focuses on medium to large scale projects whereas Easy Smart Maintenance focuses on smaller projects. E-Build Technology accounted for the smallest part of our operations being incorporated in 2020. It is engaged in the provision of passive fire protection information services, which generated less than 0.5% of our revenue during the Track Record Period.

Set out below is the corporate history of our operating subsidiaries.

Easy Smart Engineering

Easy Smart Engineering was incorporated on 6 June 2001 in Hong Kong with limited liability and has been principally engaged in provision of passive fire protection works in Hong Kong. Upon incorporation, Easy Smart Engineering was owned as to 99 ordinary shares (representing 99% of the then entire issued share capital) by Ms. Lim and one ordinary share (representing 1% of the then entire issued share capital) by Mr. Dave Ng respectively.

On 29 September 2014, 9,899 ordinary shares and one ordinary share were allotted to Mr. Dave Ng and Ms. Lim, respectively. As a result of the allotment, the entire issued shares of Easy Smart Engineering were 10,000 ordinary shares of HK\$1.00 each, which was owned as to 9,900 ordinary shares (representing 99% of the then entire issued share capital) by Mr. Dave Ng and 100 ordinary shares (representing 1% of the then entire issued share capital) by Ms. Lim.

As part of the Reorganisation, the 100 ordinary shares of Easy Smart Engineering owned by Ms. Lim were transferred to Mr. Dave Ng on 15 September 2021 at a consideration of HK\$659,975 which was determined after taking into account the unaudited net asset value of Easy Smart Engineering as of 31 July 2021.

Easy Smart Maintenance

Easy Smart Maintenance was incorporated on 4 June 2009 in Hong Kong with limited liability and has been principally engaged in provision of passive fire protection works in Hong Kong. Upon incorporation, 45 ordinary shares (representing 45% of the then entire issued share capital) of Easy Smart Maintenance were owned by Easy Smart Engineering, 45 ordinary shares (representing 45% of the then entire issued share capital) by an independent third party company, and the remaining 10 ordinary shares (representing 10% of the then entire issued share capital) by two independent third parties. Easy Smart Engineering has been a corporate director of Easy Smart Maintenance since its incorporation while Mr. Dave Ng has been its director since 27 May 2011.

On 22 March 2011, the following transfers took place with nominal cash consideration:

- (a) 25 ordinary shares of the aforesaid 45 ordinary shares (representing 25% of the then issued share capital) of Easy Smart Maintenance were transferred by the independent third party company to Easy Smart Engineering;
- (b) 20 ordinary shares of the aforesaid 45 ordinary shares (representing 20% of the then entire share capital) of Easy Smart Maintenance were transferred by the independent third party company to Mr. Dave Ng; and
- (c) 10 ordinary shares (representing 10% of the then entire share capital) of Easy Smart Maintenance were transferred by the two independent third parties to Mr. Dave Ng.

The above transfers were made after arms-length negotiations between Mr. Dave Ng and the relevant parties after taking into account that Easy Smart Maintenance did not

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

have any business for the year of 2011 and that a negative net asset value of approximately HK\$9,000 was recorded for Easy Smart Maintenance for the financial year ended August 2010. As a result of the transfers on 22 March 2011, the shareholdings of Easy Smart Maintenance were owned as to 70 ordinary shares (representing 70% of the entire issued share capital) by Easy Smart Engineering and 30 ordinary shares (representing 30% of the entire issued share capital) by Mr. Dave Ng.

As part of the Reorganisation, the 30 ordinary shares of Easy Smart Maintenance owned by Mr. Dave Ng were transferred to Easy Smart Engineering on 15 September 2021 at a consideration of HK\$1,987,622 which was determined after taking into account the unaudited net asset value of Easy Smart Maintenance as of 31 July 2021.

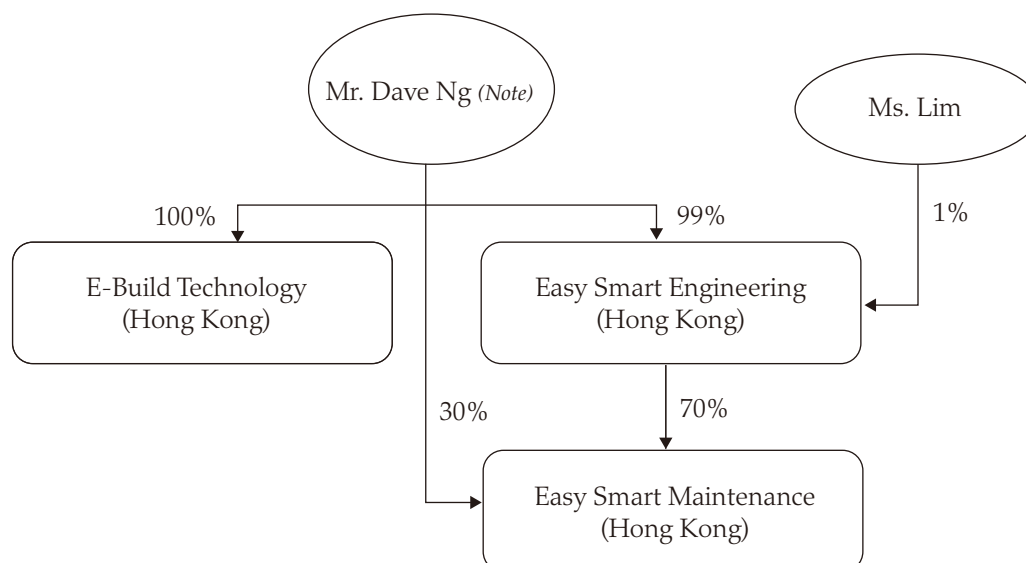
E-Build Technology

E-Build Technology was incorporated on 19 June 2020 in Hong Kong with limited liability and has been principally engaged in provision of passive fire protection information services of our Group. The 100 ordinary shares (representing the entire issued share capital) of E-Build Technology was wholly-owned by Mr. Dave Ng upon incorporation.

As part of the Reorganisation, the entire issued share capital of E-Build Technology were transferred to On Thrive Holdings as directed by Lofty Profit. For details, please refer to the paragraph headed “Reorganisation – (3) Acquisition of our operating subsidiaries” below in this section.

CORPORATE STRUCTURE

The following chart set forth the beneficial shareholding and corporate structure of our Group immediately prior to the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Note:

During the Track Record Period and prior to the Reorganisation, Mr. Dave Ng disposed his interests of the following companies:

- (a) on 29 June 2020, Mr. Dave Ng transferred 70 ordinary shares, representing 70% of the entire issued share capital, of and in Golden Phoenix to Lai Yui Fai Ben, the other shareholder of Golden Phoenix and an Independent Third Party, at a consideration of HK\$1,093,000 which was determined after arms-length negotiation and with reference to the net asset value of Golden Phoenix as at 30 April 2020 based on its unaudited management account for the ten months ended 30 April 2020. Golden Phoenix was incorporated on 4 March 2005 and was engaged in the provision of electrical and mechanical engineering works for the financial years ended 30 June 2019 and 2020. Mr. Dave Ng transferred his interests in Golden Phoenix as Mr. Dave Ng intended to focus and devote more of his time and attention to develop the business of passive fire protection works. After the transfer, this company's name was changed from Easy Smart (E & M) Engineering Company Limited to Golden Phoenix Engineering Limited on 6 July 2020;
- (b) on 21 December 2020, Mr. Dave Ng transferred 2,500 ordinary shares, representing 25% of the entire issued share capital, of and in Hope Way Metal to Kwok Chu Kay, one other existing founding shareholder of Hope Way Metal and has been our employee since October 2017 (i.e. after the incorporation of Hope Way Metal), at a consideration of HK\$2,500 which was determined after arms-length negotiation and taking into account Hope Way Metal was inactive after 2019 and net liabilities position recorded in the audited financial statements of Hope Way Metal for the year ended 31 March 2020. Hope Way Metal was incorporated by Mr. Dave Ng, Kwok Chu Kay and three other shareholders on 23 May 2017 when Kwok Chu Kay was not our employee. Kwok Chu Kay was an acquaintance of Mr. Dave Ng for over 10 years. Kwok Chu Kay subsequently joined us as a project manager in October 2017 as he has experience of overseeing construction projects. Mr. Dave Ng transferred his interests in Hope Way Metal as Hope Way Metal was inactive and he intended to focus and devote more of his time and attention to develop the business of passive fire protection works. Although Kwok Chu Kay was an employee of our Group at the time of the transfer, Mr. Dave Ng considered that the principal business of Hope Way Metal was for provision of water pipes related metal works prior to its inactivity, which was different from that of our Group. Besides, our Group has put in place internal control measures to safeguard against potential conflict of interest between our employees and our Group. For details of the internal control measures that we have implemented, please refer to the section headed "Business — Employees — Safeguards against potential conflict of interest situations involving our employees" in this prospectus.

REORGANISATION

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation pursuant to which our Company became the holding company and listing vehicle of our Group. The Reorganisation involves the following major steps:

(1) Incorporation of Lofty Profit, our Company, Rise Nation, Total Wisdom and On Thrive Holdings

Lofty Profit

Lofty Profit was incorporated on 2 July 2021 in the BVI with limited liability. On incorporation, Lofty Profit was authorised to issue a maximum of 50,000 shares of a single class each with a par value US\$1.00. On 25 August 2021, one fully paid share, representing all of its issued share, of Lofty Profit was issued and allotted at par to Mr. Dave Ng. After the allotment and issue, Lofty Profit was wholly-owned by Mr. Dave Ng.

Our Company

Our Company was incorporated on 7 September 2021 with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was then transferred to Lofty Profit on the same date. After the aforesaid share transfer, the then issued share capital of our Company was wholly-owned by Lofty Profit.

Rise Nation

Rise Nation was incorporated on 2 July 2021 in the BVI with limited liability. On incorporation, Rise Nation was authorised to issue a maximum of 50,000 shares of a single class each with a par value US\$1.00. On 20 September 2021, one fully paid share, representing all of its issued share, of Rise Nation was issued and allotted at par to our Company. After the allotment and issue, Rise Nation was wholly-owned by our Company.

Total Wisdom

Total Wisdom was incorporated on 12 July 2021 in the BVI with limited liability. On incorporation, Total Wisdom was authorised to issue a maximum of 50,000 shares of a single class each with a par value US\$1.00. On 10 September 2021, one fully paid share, representing all of its issued share, of Total Wisdom was issued and allotted at par to Lofty Profit. After the allotment and issue, Total Wisdom was wholly-owned by Lofty Profit.

On Thrive Holdings

On Thrive Holdings was incorporated in the BVI on 2 July 2021 which was authorised to issue a maximum of 50,000 shares of a single class each with a par value US\$1.00. On 10 September 2021, one fully paid share of On Thrive Holdings, representing all of its issued share, was issued and allotted at par to Lofty Profit. After the allotment and issue, On Thrive Holdings was wholly-owned by Lofty Profit.

(2) Reorganisation of our operating subsidiaries

The following transfers took place:

- (a) the 30 ordinary shares (representing 30% of the entire issued share capital) of Easy Smart Maintenance owned by Mr. Dave Ng were transferred to Easy Smart Engineering on 15 September 2021 at a consideration of HK\$1,987,622 which was determined after taking into account the unaudited net asset value of Easy Smart Maintenance as of 31 July 2021; and

- (b) the 100 ordinary shares (representing 1% of the entire issued share capital) of Easy Smart Engineering owned by Ms. Lim were transferred to Mr. Dave Ng on 15 September 2021 at a consideration of HK\$659,975 which was determined after taking into account the unaudited net asset value of Easy Smart Engineering as of 31 July 2021.

As a result of the above transfers,

- (a) the entire issued share capital of Easy Smart Maintenance was held by Easy Smart Engineering since 15 September 2021; and
- (b) the entire issued share capital of Easy Smart Engineering was held by Mr. Dave Ng since 15 September 2021.

(3) Acquisition of our operating subsidiaries

Acquisition of Easy Smart Engineering

On 19 October 2021, Mr. Dave Ng (as vendor) and Lofty Profit (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Dave Ng (as transferor) transferred his 10,000 shares of and in Easy Smart Engineering (representing the entire issued share capital) to Total Wisdom (as transferee) as directed by Lofty Profit; and in consideration of which Lofty Profit allotting and issuing 79 shares of a par value US\$1.00 each in Lofty Profit, credited as fully paid to Mr. Dave Ng.

Acquisition of E-Build Technology

On 19 October 2021, Mr. Dave Ng (as vendor) and Lofty Profit (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Dave Ng (as transferor) transferred his 100 shares of and in E-Build Technology (representing the entire issued share capital) to On Thrive Holdings (as transferee) as directed by Lofty Profit and in consideration of which Lofty Profit allotting and issuing 20 shares of a par value US\$1.00 each in Lofty Profit, credited as fully paid to Mr. Dave Ng.

After the aforesaid two acquisitions,

- (a) Easy Smart Engineering became a wholly-owned subsidiary of Total Wisdom;
- (b) E-Build Technology became a wholly-owned subsidiary of On Thrive Holdings;
- (c) each of Easy Smart Engineering, Easy Smart Maintenance and E-Build Technology became an indirect wholly-owned subsidiary of Lofty Profit; and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (d) the total number of issued shares of Lofty Profit was 100 shares of a par value of US\$1.00 each which was wholly owned by Mr. Dave Ng.

(4) Acquisition of On Thrive Holdings and Total Wisdom by Rise Nation as directed by our Company

Our Company (as purchaser) entered into a sale and purchase agreement with Lofty Profit (as the vendor) and Mr. Dave Ng (as the vendor's warrantor) on 23 December 2021, pursuant to which our Company directed Rise Nation as transferee to acquire one share in On Thrive Holdings and one share in Total Wisdom from Lofty Profit and in consideration for the acquisitions, the one nil-paid subscriber Share and registered in the name of Lofty Profit was credited as fully paid together with a further 9,999 Shares was allotted and issued to Lofty Profit as all credited as fully paid.

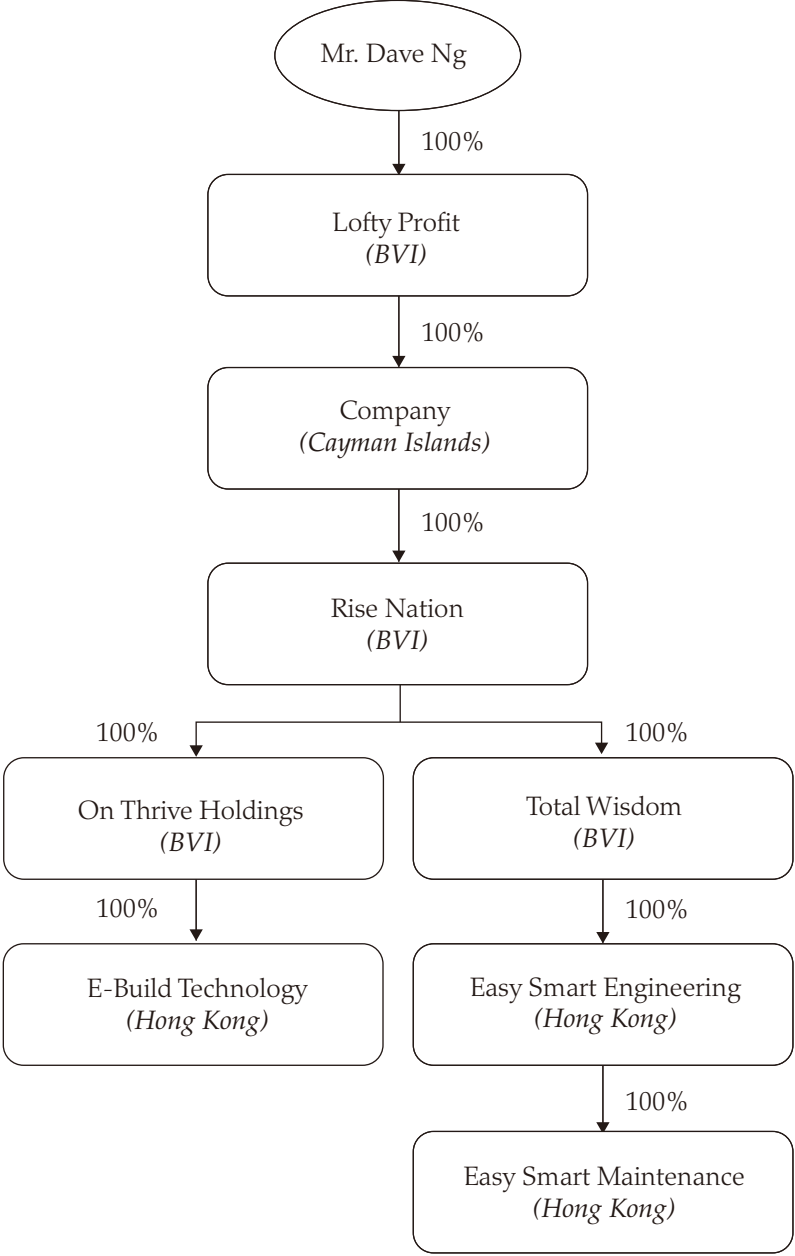
After the aforesaid share transfers,

- (a) each of On Thrive Holdings and Total Wisdom became a wholly-owned subsidiary of Rise Nation;
- (b) each of Easy Smart Engineering, Easy Smart Maintenance and E-Build Technology became an indirect wholly-owned subsidiary of our Company;
- (c) Lofty Profit holds 10,000 fully paid shares in our Company, being the entire issued share capital of our Company.

After completion of the aforesaid share transfers, our Company held one share of Rise Nation (representing all of its issued share), and our Company became the holding company of other members of our Group.

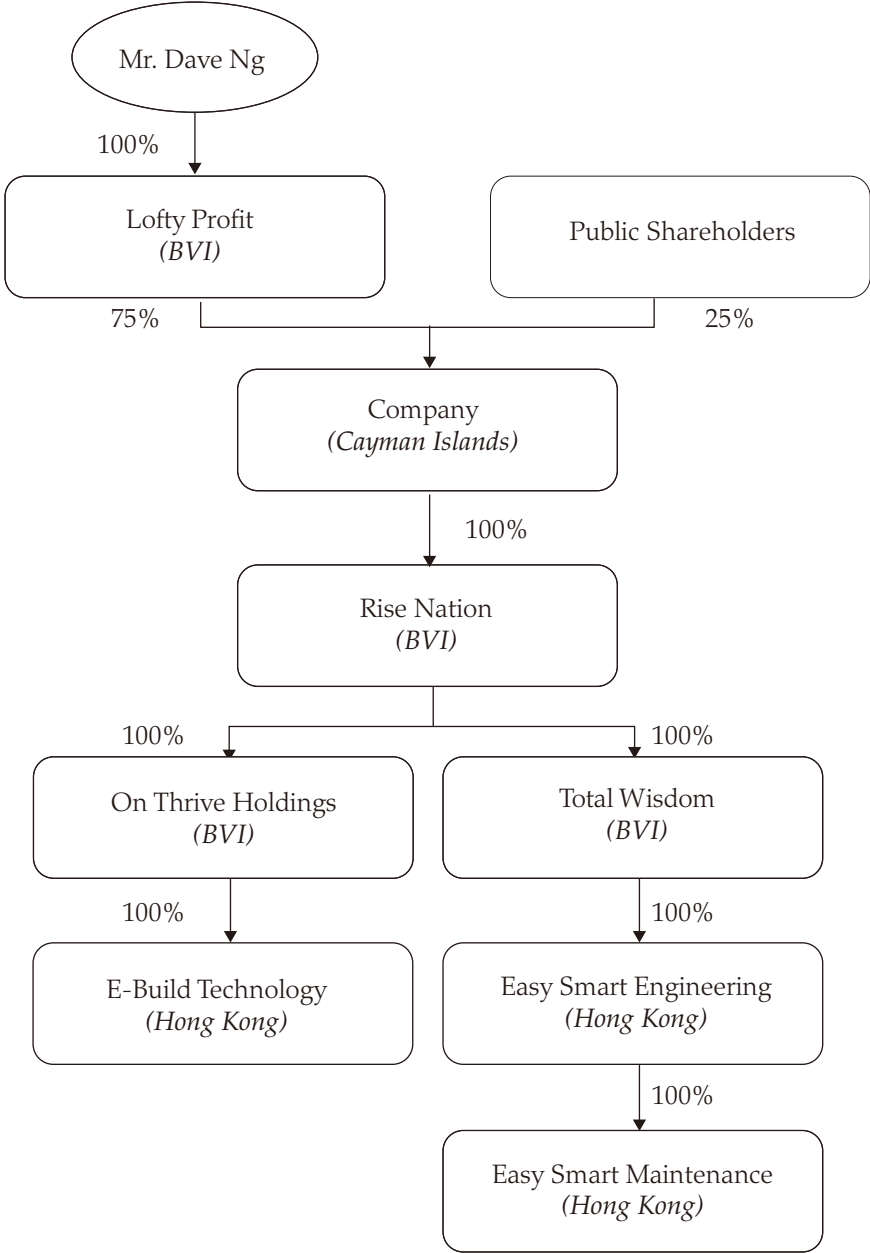
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart set forth the corporate structure of our Group immediately after completion of the Reorganisation but before the Share Offer and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our shareholding and corporate structure immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).



OVERVIEW

We are a subcontractor specialising in passive fire protection works in Hong Kong. Our passive fire protection works generally involve the design, selection, procurement and installation of appropriate materials and components in a building to reduce or prevent the spread and effects of fire, heat or smoke without requiring detection or activation upon detection. Examples of passive fire protection materials and components include fire rated boards, fire resistant paints and fire resistant plasters. According to the Industry Report, our Group was ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong.

With over 20 years of experience in the passive fire protection works industry, our Group focuses on the provision of passive fire protection and ancillary works. During the Track Record Period, we derived substantially all of our revenue from the provision of such works through Easy Smart Engineering and Easy Smart Maintenance, being our principal operating subsidiaries. In 2020, capitalising on our expertise and experience in providing passive fire protection solutions, we established an online platform for subscribers to receive passive fire protection information such as the specifications of various passive fire protection materials in our database.

Our revenue was approximately HK\$150.0 million, HK\$186.5 million, HK\$240.5 million and HK\$131.0 million for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively. Our net profit was approximately HK\$27.8 million, HK\$40.9 million, HK\$28.8 million and HK\$23.4 million over the same respective periods. According to the Industry Report, the passive fire protection works industry in Hong Kong has been growing steadily primarily due to the sustainable development of the construction industry, stringent requirements for fire safety construction and the rollout of Mandatory Urban Renewal Program by the HK Government, prompting demand for installation and refurbishment of passive fire protection systems. The effect of COVID-19 on the passive fire protection works market is expected to be short term and limited. This market is set to gradually regain its momentum in the long run due to (i) the regular renovation of passive fire protection system in residential, commercial and industrial buildings being stable in nature; and (ii) a stable pipeline of construction projects in the residential, commercial and industrial sectors, especially the planned production of public residential units and surrounding auxiliary facilities. The market size of the passive fire protection works industry is expected to reach approximately HK\$1,247.4 million in 2026, representing a CAGR of approximately 6.1% from 2022 to 2026.

We undertake both public sector and private sector projects in Hong Kong as a subcontractor and we provide our services in projects for various types of properties including public infrastructure and facilities, commercial buildings, industrial buildings and residential buildings. Our direct customers are principally main contractors and subcontractors of projects which engage us as their passive fire protection services provider. In respect of our public sector projects, our projects were generally initiated by HK Government departments, statutory bodies or semi-government entities. In respect of our private sector projects, the ultimate project owners were property developers or other private owners.

BUSINESS

The following table sets out a breakdown of our projects and revenue for passive fire protection works by reference to project sectors and types of properties involved during the years/periods indicated:

	Year ended 30 June				Four months ended 31 October							
	2020		2021		2022		2022					
	No. of projects <i>Note 1</i>	% of total revenue (%)	No. of projects <i>Note 1</i>	% of total revenue (%)	No. of projects <i>Note 1</i>	% of total revenue (%)	No. of projects <i>Note 1</i>	% of total revenue (%)				
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
					(unaudited)							
Public												
- Public infrastructure and facilities	39	53,568	43	100,164	38	67,496	24	33,967	41.9	23	25,192	19.2
- Residential	19	46,881	19	23,653	16	44,090	8	10,649	13.2	10	8,457	6.5
Sub-total	58	100,449	62	123,817	54	111,586	32	44,616	55.1	33	33,649	25.7
Private												
- Commercial and industrial	26	11,372	21	32,530	18	80,874	12	21,116	26.1	9	90,032	68.8
- Residential	24	18,878	22	15,951	26	30,885	14	7,662	9.4	17	5,032	3.8
- Public infrastructure <i>Note 2</i>	1	19,286	3	13,877	5	16,800	4	7,645	9.4	4	2,221	1.7
Sub-total	51	49,536	46	62,358	49	128,559	30	36,423	44.9	30	97,285	74.3
Total	109	149,985	108	186,175	103	240,145	62	81,039	100.0	63	130,934	100.0

Notes:

- (1) We normally group different contracts as a single project if the location of the construction sites are the same, or they form a single building or complex, even if the contracts are awarded by different customers. However, in exceptional cases when the scale and size of the structure is exceptionally large, the works are for different parts of the structure and the construction period spans across a long period, we will treat contracts in a single building or complex as being separate projects.
- (2) Revenue derived from these private sector public infrastructure and facilities projects mainly related to two projects involving a power station where the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

BUSINESS

Our major suppliers are mainly subcontractors responsible for installing and applying materials, particularly passive fire protection materials, in our projects and suppliers of such materials, particularly fire rated boards, fire resistant paints, metal parts and components and precast concrete. We delegate our more labour intensive works, such as the installation and application of the passive fire protection materials and components, to subcontractors given that such delegation will enable us to control our staff costs and focus on the most crucial aspects of a passive fire protection works project, namely, (i) overall management, planning and design of the passive fire protection works; (ii) engaging and supervising subcontractors; (iii) selection and procurement of suitable materials and dealing with their brands owners, manufacturers or agents; and (iv) quality control for our services. During the Track Record Period, we recorded subcontracting fees of approximately HK\$55.5 million, HK\$59.7 million, HK\$95.5 million and HK\$52.3 million for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively, which accounted for approximately 50.6%, 45.2%, 53.5% and 54.1% of our total costs of services for the relevant years/period.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

Long established subcontractor for passive fire protection solutions in Hong Kong with a developed reputation and proven track record in the industry

We are a long established subcontractor for passive fire protection solutions in Hong Kong founded in 2001. According to the Industry Report, there are approximately 500 market participants engaged in passive fire protection works in Hong Kong but less than 100 of them specialise in such works. Our Group is one of such specialists and we ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong.

With over 20 years of experience in the industry, we have a developed reputation and a proven track record for providing passive fire protection solutions to different types of public sector and public sector projects. During the Track Record Period, we had 109, 108, 103 and 63 projects, for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively. In relation to such projects, we provided our services in connection with the development or renovation of a number of sizeable public infrastructure and facilities projects in Hong Kong involving public transport networks, power stations, public hospitals and an airport. We also provided our services in certain sizeable commercial and residential projects in connection with commercial buildings, a logistics centre and public housing. As a demonstration of our capabilities, we had participated in a number of notable projects each with a contract sum of over HK\$10 million including projects such as the high speed rail link at West Kowloon, an art mall at Kowloon, a cruise terminal at Kai Tak, a sports park at Kai Tak and a commercial complex at an airport in Hong Kong.

According to the Industry Report, the market size of the passive fire protection works industry is expected to reach approximately HK\$1,247.4 million in 2026,

representing a CAGR of approximately 6.1% from 2022 to 2026. One of the major market drivers in this industry is the rollout of public infrastructure projects and expedited urban development proposed by the HK Government. For example, outlined in the Chief Executive's "2020 Policy Address", the HK Government is expected to invest substantially in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the coming few years, and strive to ensure the early commencement of capital works projects. In the Chief Executive's "2021 Policy Address", the HK Government targets to increase the overall supply of transitional housing to 20,000 units in the coming few years by providing 5,000 additional units, and increase the amount of funding under the relevant funding scheme to HK\$11.6 billion. Given our reputation and proven track record in the passive fire protection works industry particularly in undertaking sizeable public infrastructure and facilities projects and residential projects as well as our established position, we believe that we are well-positioned to capture new opportunities from the planned public investments by the HK Government and the growing demand for passive fire protection works in Hong Kong.

Familiarity with the specifications and usage of a wide range of passive fire protection materials and long history with suppliers of materials

We are familiar with the specifications and usage of a wide range of passive fire protection materials including but not limited to fire rated boards, fire rated doors, fire partitions, fire resistant paints, coatings and plasters and fire retardant wool. With our familiarity in such a wide range of passive fire protection materials, we are able to offer advice on passive fire protection designs and recommend suitable alternative materials based on the requirements of our customers such as different brands of fire rated doors to fulfill certain size requirements or the use of different brands of fire resistant coating than the one suggested initially by our customers.

We gained such familiarity with materials through our close cooperation with suppliers of materials and we continue to keep ourselves up to date with the specification of their materials including the effects of environmental factors such as humidity and heat on the materials, effective application of such materials and proper handling and storage. Out of our five largest suppliers of materials in each year/period during the Track Record Period, we have been working with most of them for over three years with the longest being 20 years with two suppliers of passive fire protection materials. Through such close cooperation over the years with our suppliers of materials, we are able to gain extensive knowledge on the nature, composition of ingredients, functions and applicability of different types of passive fire protection materials, thus enabling us to decide on suitable materials to be used in our projects and thereby helping us to maintain the high quality of our services. Additionally, our executive Directors believe that through maintaining our strong relationships with such suppliers, we are able to build sufficient rapport with them and gain their trust thereby the relevant suppliers may recognise us as approved applicators for specified brands and facilitate a steady supply of their materials to us. As a demonstration of our long history with such suppliers of materials and their trust in us, we are the authorised applicator for a number of brands of passive fire protection materials, including some of those stated in the list of building materials under the categories of 'Fire-stop Materials and Sealing System' and 'Fire Protection Materials for Structural Use' maintained by the Buildings Department.

BUSINESS

Accordingly, our executive Directors believe that we can leverage on our familiarity with a wide range of passive fire protection materials and long history with suppliers of materials to further develop new business opportunities and expand our business.

Strong relationships with our major customers which include large market players in the property development and construction sectors in Hong Kong

We have a strong relationship with our major customers which include large market players in the property development and construction sectors in Hong Kong. Our five largest customers in each year/period during the Track Record Period included large property developers and contractors and most of them are subsidiaries of companies listed on the Stock Exchange or other recognised stock exchanges. We have been providing services to half of our five largest customers in each year/period during the Track Record Period for over 12 years with the longest being over 18 years. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest customer in each year/period during the Track Record Period accounted for approximately 21.9%, 27.3%, 22.1% and 51.3% of our total revenue, respectively, while our five largest customers in each year/period during the Track Record Period accounted for approximately 69.3%, 67.4%, 60.3% and 86.9% of our total revenue, respectively.

Owing to our strong relationships with our major customers and given their size, we believe we are able to develop future business opportunities from such customers as well as other customers through referrals and by virtue of our strong reputation.

Experienced and stable senior management team and project management team

We are led by an experienced and stable senior management team under the direction of Mr. Dave Ng, our executive Director and our Controlling Shareholder. Our executive Directors are well experienced in the passive fire protection works industry in Hong Kong and each has been with our Group for over 14 years. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors and senior management" in this prospectus.

We also have a stable project management team, comprising of four project managers and senior project managers as at the Latest Practicable Date, which oversees our projects. Among those project managers, two of them have been with our Group for over five years, with the longest-serving one of them having been with our Group for over 11 years.

Being led by an experienced senior management team and experienced project management team has greatly contributed to our ability to build strong relationships with customers and secure new business opportunities through formulating competitive quotations, managing and implementing our projects effectively, and controlling the costs of our projects. In addition, our senior management team's experience and insight in our industry allow us to seize market opportunities and develop sustainable business strategies, thereby contributing to our Group's continued success.

BUSINESS STRATEGIES

Our principal business objectives are to maintain our established position in the passive fire protection works industry while strengthening our capabilities in providing passive fire protection solutions in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objectives with the following business strategies:

Maintain our established position in the passive fire protection works industry and continue to tender for sizeable projects

According to the Industry Report, in the passive fire protection works industry, a sufficient capital reserve is required for recruitment of and payment to workers and raw materials procurement and thus capital requirements serve as a barrier to the new entrants in the industry. In addition, passive fire protection works contractors generally experience net cash outflows due to payment of up-front costs for projects at their early stage and therefore, passive fire protection contractors with stronger financial standing are able to tender for more projects and undertake projects of larger scale. Our executive Directors believe that our business growth needs to be supported by significant financial resources and a strong capital base is essential for increasing our revenues and to support sizeable but capital intensive passive fire protection works projects and their variation orders.

The up-front costs of our projects generally include costs incurred at the early stages of projects comprising subcontracting fees for work done by our subcontractors, payment made to our suppliers for materials and machinery and equipment rental costs. In our executive Directors' experience, we generally continue to experience net cash outflow even after the first payment received from our customers due to the time lag between payment to our subcontractors and other suppliers and the receipt of interim progress payments from our customers. Based on our experience, the rate of cash inflow from our customers from the early stages leading up to the peak amount of works in any given project is disproportionately lower than the rate of increase of costs incurred by us over the same period. Accordingly, our net cash outflows typically turn into net cash inflows gradually as the project progresses.

The timeframe for us to generate positive cash flow from our projects after their commencement and the total amount of up-front costs incurred by our Group during such period varies depending on the size and duration of projects as well as other factors. Based on our experiences with the major completed projects which contributed over HK\$10 million in revenue during the three years ended 30 June 2022, it took approximately five months to 21 months and an average of nine months for us to start generating positive monthly net cash flow from such major projects after their commencement (i.e. the Up-front Period) and the total amount of up-front costs incurred by our Group during the Up-front Period represented on average approximately 29.1% of the contract sum of such major projects.

Besides financing up-front costs of our projects, maintaining sufficient capital reserves is necessary for financing variation orders, which are not uncommon in the passive fire protection works industry according to the Industry Report because they arise

from a variety of circumstances which may be (a) outside of the control of the customer; and (b) necessary for the completion of the project in a timely manner. Most of our major completed projects during the Track Record Period involved variation orders and these variation orders generally involve an increase in the contract value to the original contract sum which result in an increase in our work and our costs for our projects and thus, there is a risk that our estimated level of funding required for our projects at the tendering stage is insufficient for our variation orders. Specifically, given that the variation orders for 18 of our top 20 projects completed during the Track Record Period and up to the Latest Practicable Date by revenue contribution increased the contract value for such projects, and on average, the amount of variation orders was approximately 53.9% of the original contract sum of those top 20 completed projects, the actual costs for such major completed projects generally exceeded our initial cost estimates at the tendering stage, and we had to reallocate our financial resources accordingly.

We believe that the proceeds from the Share Offer will strengthen our available financial resources, thereby allowing us to undertake more sizeable projects by applying a portion of the net proceeds to satisfy the up-front costs of our five earmarked projects and variation orders for our projects. We currently plan to apply part of our proceeds from the Listing towards fulfilling such purposes. For further details of these projects, please refer to the section headed “Future plans and use of proceeds — Use of proceeds” in this prospectus.

Recruit staff for our business expansion

We intend to recruit additional staff to increase our service capacity while also maintaining our high quality of services during our business expansion. For this purpose, our executive Directors believe that we will require different types of staff including project managers and supporting operational and administrative staff.

We intend to hire an additional 11 staff after Listing comprising (i) two project managers in construction project management with at least eight years of working experience; (ii) two assistant project managers in construction project management with at least five years of working experience; (iii) two foremen with at least three years of working experience; (iv) one site agent with at least two years of working experience; (v) one quantity surveyor manager with at least five years of working experience; (vi) two quantity surveyors with three to five years of working experience; and (vii) one accounting manager with five to seven years of working experience.

Brand building through upgrading our online platform and upgrading the information technology system of our Group

We believe that to reach new customers and strengthen our brand recognition in Hong Kong, it is necessary to embrace technological advances and use different avenues to reach potential customers and maintain our relationship with existing customers. In 2020, capitalising on our expertise and experience in providing passive fire protection solutions, we established an online platform for subscribers to receive passive fire protection information such as specifications of various passive fire protection materials in our database including their weight, size and fire resistance period (for further details, please refer to the paragraph headed “Our business — Provision of passive fire protection information services” in this section). As at the Latest Practicable Date, we had five

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subscribers for such services. Although this service is relatively new, we successfully gained new business opportunities through some of these subscribers including certain sizeable project for passive fire protection works.

In addition, the Industry Report identifies the technology-enabled operational model as one of the market trends and opportunities in the passive fire protection works industry, using technology to streamline procedures, elevate operating efficiency and establish sustainable business model for service providers. Our executive Directors consider it vital for our competitiveness and long-term sustainability to keep up with such industry trends by upgrading our information technology systems.

For such purposes, we intend to allocate a portion of the net proceeds from the Share Offer for expanding the scale of our online platform for information on passive fire protection and upgrading our other information technology systems as well.

Implementation of strategies

For further details on the implementation of the above strategies, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

OUR BUSINESS

Our services

During the Track Record Period, we derived substantially all of our revenue from the provision of passive fire protection works and ancillary works through Easy Smart Engineering and Easy Smart Maintenance, being our principal operating subsidiaries. We also, to a lesser extent, generated revenue from the provision of passive fire protection information services commencing in 2020 which represented less than 0.5% of our total revenue during the Track Record Period.

Provision of passive fire protection works and ancillary works

Our passive fire protection works generally involve the design, selection, procurement and installation of appropriate materials and components in a building to reduce or prevent the spread and effects of fire, heat or smoke without requiring detection and/or activation upon detection. Examples of passive fire protection materials and components include fire rated boards, fire resistant paints and fire resistant plasters. Our Group does not currently engage in the installation of fire alarm systems and other types of active fire protection works.

The exact scope of our passive fire protection works differs between projects, depending on various factors such as the type of building, the overall building designs provided by our customers, the requirements of the project owners and the allocation of works between different contractors in the projects. During the Track Record Period, we engaged in the passive fire protection works involving the design, supply and installation of fire resistant enclosures for designated parts of buildings such as ceilings, walls, cables and services pipes. As part of such works, we installed fire rated boards, fire rated windows, fire rated doors, fire partitions, fire dampers and smoke curtains, and applied fire resistant paints, fire resistant coatings and fire resistant plasters. We also conducted ancillary works in connection with our passive fire protection works which mainly

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involve metal works in the vicinity given that passive fire protection materials and components in buildings are often integrated or interconnected with metal structures or systems such as in the case of the installation of a fire rated duct system or steel suspension frameworks for the fire rated boards to form fire resistant enclosures.

The service scope for our projects typically involves us providing a wide variety of different types of passive fire protection works and ancillary works. The following are further examples and details of specific types of works which our Group provides as part of our passive fire protection works:

Types	Details
Installation of fire rated boards, fire rated windows, fire rated doors and fire partitions	In order to stop fires and heat from spreading, fire rated boards, fire rated windows, fire rated doors and fire partitions are installed throughout a building. These materials and components generally have high heat absorption and low shrinkage to keep their integrity and are designed to keep the temperature on the other side of such barrier low for a period of time in case of a fire. We help install such fire rated boards, fire rated windows, fire rated doors and fire partitions and ensure proper handling of the materials and components on site to prevent damage or chipping prior to installation. Afterwards, we perform necessary measuring, cutting and welding work to ensure the necessary fit of the materials and components according to the designs.
Application of fire resistant paints, fire resistant coatings and fire resistant plasters	We apply specially designed paints, coatings and plasters to various parts of building for fire protection purposes through airless sprayers or in certain cases, through brushes. Dependent on the materials used, the materials applied by us may grant other protections such as anti-corrosion and acoustic insulation. Besides walls and ceiling, such materials may also be applied to steels structures where such coating serves as a heat insulator which is designed to expand in case of fires to help lower the rising temperature for the steel structure. We work to ensure proper preparation and mixing before application. During the application process, we inspect to check the proper thickness of such materials has been applied uniformly across the designated parts of the building and prevent rain and humidity from affecting the drying process. Upon our customers' requests, we may conduct such application process off-site through arranging the spraying or application of the fire resistant paints and coatings at another location and procure the delivery and installation by our subcontractors of the relevant building component at the project location subsequently.

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Types	Details
Installation of fire dampers, smoke dampers and smoke curtains	We install passive fire protection components in heating, ventilation, and air conditioning ducts to prevent the spread of fire and smoke inside the ductwork, specifically fire and smoke dampers. We will also install smoke curtains where appropriate. For such works, we help identify suitable locations for installation of such dampers and curtains and ensure proper fitting with supporting frames and fixings are provided for such dampers and curtains.
Ancillary works	Given that the application of passive fire protection works may involve ancillary works, we will generally perform such works as part of our services. Generally, such ancillary works involve metal works for supporting frames and fixings of the relevant passive fire protection materials and components such as welding works for joints or using screws to properly install fire rated boards and fire partitions. However, we will also perform installation of materials and painting works to conceal the actual passive fire protection works for aesthetic purposes and other metal works in the vicinity such as installation of metal handrails for stairs.

We provide the above services for the development of new buildings and redevelopment, refurbishment or renovation of the whole or part of existing buildings.

Provision of passive fire protection information services

Our passive fire protection information services are primarily intended to address a common problem in the industry as identified by our executive Directors: the purchase and use of inappropriate passive fire protection materials during the initial stages of projects. Based on our executive Directors' extensive experience in the industry, contractors not specialising in passive fire protection works may be unfamiliar with fire safety requirements and unduly rely on their previous experience and word of mouth suggestions in the selection of passive fire protection materials without giving proper consideration of the specifications of such materials and their appropriateness for the project at hand to meet fire safety standards. By failing to select appropriate materials during the initial stages, contractors may bear additional potential costs in relation to (i) purchasing the required appropriate materials at a later stage and on an urgent basis; (ii) arranging for rectification works for any inappropriate materials used; and (iii) dealing with logistics for removing and replacing the inappropriate materials. This may potentially lead to cost overrun and delays in the project.

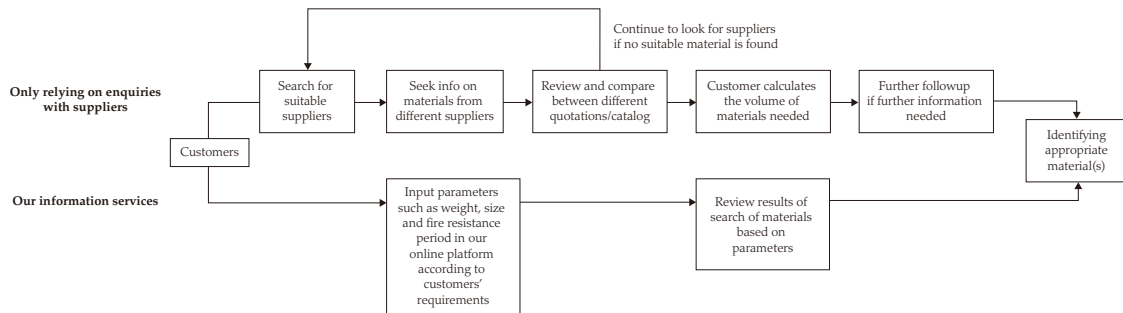
According to the Industry Report, contractors in the construction industry in Hong Kong may seek out information on the specifications and costs of construction materials, including passive fire protection materials given the potential cost savings by selecting the appropriate materials at the initial stages of the construction projects. Such information concerning passive fire protection materials is also helpful for main contractors and subcontractors not principally engaged in passive fire protection works in preparing tenders or quotations to customers, estimating overall project costs and negotiating terms with different suppliers. In order to maximise the benefits from their projects, it is better for the contractors to consult additional sources which consider the

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specifications of passive fire protection materials from different suppliers and allow contractors to better objectively determine the most appropriate and cost effective materials thus helping them to maintain the quality of their service, improve their profitability and mitigate the risks of delays and cost overrun due to selection of inappropriate materials. Based on our enquiries, certain potential customers indicated a willingness to pay for access to external resources with such information for identifying the appropriate materials to assist them in performing their duties in their projects and given the abovementioned potential cost savings and other benefits to such customers. Given the market potential for such information services and the business opportunities for us to promote our passive fire protection works services and gain additional passive fire protection projects, we include the provision of such information services in respect of passive fire protection materials in our expansion plan.

In 2020, capitalising on our expertise and experience in providing passive fire protection solutions, we established an online platform to provide subscribers with passive fire protection information. Based on the Industry Report and to the best of the knowledge, information and belief of our executive Directors, there are currently no platforms similar to our Group’s online platform or other information providers in the market providing similar services as our Group.

With access to our online platform, our subscribers may use the interactive features therein to conveniently search our database for the various materials and filter the results by parameters such as their weight, size and fire resistance period. Thus, through our information services, subscribers may identify potential materials which match their required specifications. The following flow chart compares the potential benefits of our information services as compared to relying solely on inquiries with different suppliers:



Potential benefits

- Time-saving:
Customers may not know the appropriate materials which meet their required specifications and thus waste time seeking such materials and the right suppliers. Instead of liaising back and forth with multiple suppliers, our services help minimise the time to identify such materials by allowing subscribers to search and filter results on our online platform.
- Convenience:
Suppliers may not offer a detailed catalogue of their materials with all relevant specifications for easy comparison purposes. Searching our database with materials categorised by different specifications is, therefore, more convenient for comparison between materials.
- Objectivity:
Suppliers will generally promote their own supplied materials and thus, the information obtained may be less objective and not be the most cost-effective option. Our online platform allows the comparison of materials of different suppliers in our database.
- Support services:
After the review of materials offered by suppliers, customers may still be unable to locate the appropriate material. As part of our services, we will provide customer support by answering their basic enquiries in relation to various materials such as suggestions on re-designs.

By providing the abovementioned support services, we can also demonstrate our passive fire protection expertise and offer appropriate solutions which may lead to them engaging us for passive fire protection works in projects or referring potential customers to us.

In determining our current monetisation strategy for this service, we considered that our main strategy is for the provision of such information services leading to our engagement in passive fire protection works projects. In terms of the annual fees charged for the information services, we considered the potential market demand from contractors in the Hong Kong construction industry which seek for such information and are willing to pay for such services as preventive measures to mitigate the risks of delays and cost overrun and we determined the appropriate price point for such new services to be profitable for us while being attractive to customers. We will review our monetisation strategy and the fees for our services from time to time based on feedback from our customers and further development of our services. We charge our subscribers an annual fee for access to such platform, being HK\$58,000, HK\$64,000 and HK\$68,000 for the years of service commencing from June 2020, 2021 and 2022, respectively.

As at the Latest Practicable Date, our passive fire protection information services only involve such information services given that we remain focused on our core services, being the provision of passive fire protection works, and the current level of information services provided by us allows us to dedicate our staff and other resources towards our core services. We consider the above services complementary to our core services by building our brand as specialists in providing passive fire protection solutions. Furthermore, offering such information services allows us to maintain our relationship with existing customers which subscribe to our service and potentially generate new business from new customers as they typically also need assistance in the procurement and application of such materials after we provide our information services and we can then offer our passive fire protection services to them.

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We had five customers for such services as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively and three of these five customers first became our subscribers for our information services before subsequently engaging us for the provision of passive fire protection works for the first time. Aside from receipt of the annual fee, receipt of payments for the provision of passive fire protection works to such customers if they also engage us for projects, and the other indirect benefits as described above, our Group has not received any other forms of economic benefits from the provision of such services.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our revenue derived from such services was approximately HK\$8,000, HK\$0.3 million, HK\$0.3 million and HK\$0.1 million, respectively. The following is a breakdown of the revenue derived from such information services from each of our customers during the years/periods indicated:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer N	2	59	64	22	23
Wing Kei Structural Metalworks Company Limited	1	58	64	21	23
Brilliant (E&M) Engineering Limited	2	58	64	22	22
Customer P	1	58	64	21	23
Customer Q	2	58	64	21	23
	8	291	320	107	114

OUR PROJECTS

Duration of projects

We are engaged by our customers to provide our services on a project-by-project basis and generally such projects during the Track Record Period ranged from around four months to around five years. The main reasons for the range of the duration of projects is due to (i) differences in the size, complexity and requirements of individual projects; and (ii) in certain cases, subsequent variation orders and modifications are required.

Types of projects

We engage in both public sector and private sector projects in Hong Kong. Our public sector projects primarily comprise public infrastructure and facilities and residential properties such as those involving public transport networks, public hospitals, an airport and public housing. Since the COVID-19 pandemic, we have also undertaken projects involving quarantine facilities in Penny's Bay. Our public sector projects were generally initiated by the HK Government departments, statutory bodies or semi-government entities, such as the Housing Authority, Airport Authority, Urban Renewal Authority and a company listed on the Stock Exchange which is majority owned by the HK Government and which principally operates a public transport network in Hong Kong. Our private sector projects primarily comprise residential properties, commercial properties and industrial properties such as residential complexes, hotels, shopping malls and office buildings. The ultimate project owners for private sectors projects were property developers and other private owners. During the Track Record Period, we were also engaged in public infrastructure projects including projects involving a power station which are treated as private sector projects given the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

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The following table sets out a breakdown of the revenue, gross profit and gross profit margin for passive fire protection works by reference to public sector and private sector projects and types of properties involved during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October										
	2020			2021			2022			2021			2022				
	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000		
Public																	
- Public infrastructure and facilities	53,568	30.0	16,051	100,164	36.1	67,496	17,703	25.8	33,967	25,192	27.5	9,328	33,967	27.5	25,192	5,948	23.6
- Residential	46,881	19.2	8,985	23,653	18.2	44,090	10,292	23.3	10,649	8,457	19.8	2,110	10,649	19.8	8,457	3,198	37.8
Sub-total	100,449	24.9	25,036	123,817	32.7	111,586	27,995	24.8	44,616	33,649	25.6	11,438	44,616	25.6	33,649	9,146	27.2
Private																	
- Commercial and industrial	11,372	41.1	4,674	32,530	23.8	80,874	21,585	26.7	21,116	90,032	33.6	7,091	21,116	33.6	90,032	23,017	25.6
- Residential	18,878	29.8	5,634	15,951	23.5	30,885	7,649	24.8	7,662	5,032	30.8	2,357	7,662	30.8	5,032	1,217	24.2
- Public infrastructure and facilities ^{Note}	19,286	26.0	5,014	13,877	16.4	16,800	4,326	25.8	7,645	2,221	24.7	1,887	7,645	24.7	2,221	790	35.6
Sub-total	49,536	30.9	15,322	62,358	22.1	128,559	33,560	26.1	36,423	97,285	31.1	11,335	36,423	31.1	97,285	25,024	25.7
Total	149,985	26.9	40,358	186,175	29.1	240,145	61,555	25.5	81,039	130,934	28.1	22,773	81,039	28.1	130,934	34,170	26.1

Note: Revenue derived from these private sector public infrastructure and facilities projects mainly related to two projects involving a power station where the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

For further details on the factors affecting our pricing strategy and the impact on our Group's profit margin for major projects during the Track Record Period, please refer to the section headed "Financial information — Principal components of results of operations — Gross profit and gross profit margin" in this prospectus.

For further details on the reasons for the material fluctuations in our revenue, gross profit and gross profit margin during the Track Record Period by reference to our public and private sector projects, please refer to the section headed "Financial information — Period-to-period comparison of results of operations" in this prospectus.

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For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, we had 109, 108, 103 and 63 projects, respectively. The following table sets out a breakdown of our revenue for passive fire protection works by public sector and private sector projects referenced to project sectors and types of properties involved during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October						
	2020			2021			2022			2022			
	No. of Note 1 projects	% of total revenue	Revenue HK\$'000	No. of Note 1 projects	% of total revenue	Revenue HK\$'000	No. of Note 1 projects	% of total revenue	Revenue HK\$'000	No. of Note 1 projects	% of total revenue	Revenue HK\$'000	
Public													
- Public infrastructure and facilities	39	35.7	53,568	43	53.8	100,164	38	28.1	67,496	24	33,967	23	25,192
- Residential	19	31.3	46,881	19	12.7	23,653	16	18.4	44,090	8	10,649	10	8,457
Sub-total	58	67.0	100,449	62	66.5	123,817	54	46.5	111,586	32	44,616	33	33,649
Private													
- Commercial and industrial	26	7.6	11,372	21	17.5	32,530	18	33.7	80,874	12	21,116	9	90,032
- Residential	24	12.6	18,878	22	8.6	15,951	26	12.8	30,885	14	7,662	17	5,032
- Public infrastructure and facilities ^{Note 2}	1	12.9	19,286	3	7.4	13,877	5	7.0	16,800	4	7,645	4	2,221
Sub-total	51	33.0	49,536	46	33.5	62,358	49	53.5	128,559	30	36,423	30	97,285
Total	109	100.0	149,985	108	100.0	186,175	103	100.0	240,145	62	81,039	63	130,934

Notes:

- We normally group different contracts as a single project if the location of the construction sites are the same, or they form a single building or complex, even if the contracts are awarded by different customers. However, in exceptional cases when the scale and size of the structure is exceptionally large, the works are for different parts of the structure and the construction period spans across a long period, we will treat contracts in a single building or complex as being separate projects.
- Revenue derived from these private sector public infrastructure and facilities projects mainly related to two projects involving a power station where the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

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Although our projects included both new buildings and existing buildings, a substantial portion of our revenue is derived from new buildings. The following table sets out a breakdown of our revenue for passive fire protection works by new buildings and existing buildings during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October								
	2020			2021			2022			2021			2022		
	No. of projects	Revenue HK\$'000	% of total revenue %	No. of projects	Revenue HK\$'000	% of total revenue %	No. of projects	Revenue HK\$'000	% of total revenue %	No. of projects	Revenue HK\$'000	% of total revenue %	No. of projects	Revenue HK\$'000	% of total revenue %
New buildings	88	138,391	92.3	89	176,416	94.8	91	235,183	97.9	56	79,500	98.1	59	130,324	99.5
Existing buildings	21	11,594	7.7	19	9,759	5.2	12	4,962	2.1	6	1,539	1.9	4	610	0.5
Total	109	149,985	100.0	108	186,175	100.0	103	240,145	100.0	62	81,039	100.0	63	130,934	100.0

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Projects by types of contracts

During the Track Record Period, most of our contracts with customers involve remeasurement while the rest are on a lump sum fixed price basis. In contracts with a lump sum fixed price basis, the contract generally specifies a contract sum based on the agreed unit rates and the agreed quantities of work items. In contracts involving remeasurement, the agreed unit rates and the estimated quantities of work items are included in the contract and the final contract sum is subject to remeasurement of the works done and our Group will be paid based on the actual amount of works done in the project, which normally will be measured by our customers upon completion of the works. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, approximately 99.0%, 98.9%, 99.9% and 100.0% of our revenue for passive fire protection works is derived from contracts involving remeasurement respectively.

Given that we carefully consider the price when preparing relevant quotations or tender documents during the initial preparation stage, major changes to our scope of services are generally addressed by supplemental agreements and variation orders, and we will discuss with our customers if there are any major differences in opinion on the value of actual work done by us as measured by our customers, our executive Directors confirmed that (i) there were no material differences between the initial and finalised contract value of our major completed projects during the Track Record Period solely due to remeasurement; and (ii) remeasurement did not materially impact how our Group recognised revenue or our profitability during the Track Record Period.

Projects by revenue recognised

The following table sets out the number of projects during the years/period indicated by their respective revenue recognised:

	Year ended 30 June			Four months ended
	2020	2021	2022	31 October 2022
Below HK\$1 million	81	75	70	48
HK\$1 million to HK\$10 million	25	30	26	13
Above HK\$10 million	3	3	7	2
	109	108	103	63

The number of projects for which we recognised revenue remained relatively stable at 109 and 108 projects for the years ended 30 June 2020 and 2021, respectively, and then decreased to 103 projects for the year ended 30 June 2022 and 63 projects for the four months ended 31 October 2022. Despite the slight decrease in the number of projects from the year ended 30 June 2020 to the year ended 30 June 2022, our revenue continued to increase as we were able to secure and undertake more sizeable projects during the Track Record Period and we shifted our focus from smaller projects to projects with larger contract sums.

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Movement in our backlog

Movement in number of projects

The following table sets out the movement of our projects during the years/period indicated:

	Year ended 30 June			Four months ended 31 October 2022	From 1 November 2022 up to the Latest Practicable Date
	2020	2021	2022		Date
Number of projects continued from the previous year/period	90	85	36	36	46
Number of new projects awarded during the year/period	39	40	65	23	3
Less: number of projects ended during the year/period ^{Note}	(44)	(89)	(65)	(13)	(14)
Number of projects to be continued to the next year/period	<u>85</u>	<u>36</u>	<u>36</u>	<u>46</u>	<u>35</u>

Note: The projects ended during the year/period are those which the works have been practically completed with reference to the last payment certificate obtained by us and in respect of which we ceased to have incurred any cost for over two months subsequently.

Movement in total contract value

The following table sets out the movement in the total contract value of our projects during the years/periods indicated:^{Notes 1 & 4}

	Year ended 30 June			Four months ended 31 October 2022	From 1 November 2022 and up to the Latest Practicable Date
	2020	2021	2022		Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total contract value of projects (including relevant variation orders) at the beginning of the year/period	160,106	129,973	353,882	411,795	387,050
Total contract value of new projects and relevant variation orders awarded during the year/period	119,852	410,084 ^{Note 2}	298,058 ^{Note 2}	106,190	62,392
Less: revenue of projects recognised during the year/period	(149,985)	(186,175)	(240,145)	(130,934)	(111,444)
Total contract value of projects (including relevant variation orders) remaining at the end of the year/period ^{Note 3}	<u>129,973</u>	<u>353,882</u>	<u>411,795</u>	<u>387,050</u>	<u>337,998</u>

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Notes:

1. Total contract value takes into account (i) the original contract sum of projects, or where applicable, the adjusted contract sum taking into account the amount of actual work orders on re-measurement basis; and (ii) the value of variation orders issued by our customers in the relevant year indicated.
2. The increase in the contract value for the year ended 30 June 2021 as compared to the year ended 30 June 2020 was mainly due to one of our major completed projects and three of our major projects in progress as at the Latest Practicable Date with an aggregate original contract sum of approximately HK\$233.8 million: (i) Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong with Brilliant (E&M) Engineering Limited and Customer Group H; (ii) Project 4908, a public and facilities infrastructure project involving a passenger terminal at an airport in Hong Kong with Customer Group E; (iii) Project 4539, a public infrastructure and facilities project involving a sports park at Kai Tak with Wing Kei Structural Metalworks Company Limited; and (iv) Project 4719 a public infrastructure and facilities project involving a hospital at Kwai Chung with Customer Group A and Customer R (for further details, please refer to the section headed “Business — Our projects — Major projects in progress as at the Latest Practicable Date” in this prospectus). Subsequently, there was a decrease in the contract value of new projects and relevant variation orders awarded for the year ended 30 June 2022 mainly due to (i) the significant increase in the value of our backlog of projects for the year ended 30 June 2021 and taking into account the limits to our available financial resources and workforce, the tenders we submitted were less competitive in general for the year ended 30 June 2022 compared to prior years; and (ii) the contract value of Project 5411 was excluded as the letter of award was still being processed by our customer during the year ended 30 June 2022 but has been received by us as at the Latest Practicable Date.
3. Total contract value remaining means the portion of the total estimated revenue that has not been recognised with respect to our projects which were still on-going as at the end of the relevant year/period.

We estimate that the total revenue to be recognised up to the year ending 30 June 2025 from our backlog of projects remaining as at the Latest Practicable Date is as follows:

	From the Latest Practicable Date to 30 June 2023	From 1 July 2023 to 31 December 2023	From 1 January 2024 to 30 June 2024	Year ending 30 June 2024	From 1 July 2024 to 31 December 2024	From 1 January 2025 to 30 June 2025	Year ending 30 June 2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Estimated revenue to be recognised	62,853	215,222	55,739	270,961	4,184	-	4,184

Note: The estimated revenue to be recognised from our existing backlog for each of the above year/period was determined by our executive Directors having considered (i) the original contract sum of our existing backlog of projects and variation orders for such projects received up to the Latest Practicable Date less revenue recognised up to the Latest Practicable Date; and (ii) when our works should be practically completed with reference to the expected completion date specified in the relevant contract (if any), the initial work schedule or based on communications with our customers. Accordingly, the revenue recognised for each of the above year/period may change due to the progress of such projects and changes in project requirements (such as due to subsequent variation orders).

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Major projects in progress as at the Latest Practicable Date

As at the Latest Practicable Date, our Group had 35 projects in progress (representing projects awarded to us with signed quotations or formal contracts and that have commenced but not completed as well as projects that have been awarded to us with the quotations or formal contracts have been signed but works have not yet commenced). The following table sets out the details of our top 15 projects in progress as at the Latest Practicable Date in terms of estimated revenue expected to be derived from each of them after the Track Record Period:

Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer ^{Note 1}	Capacity of customer in the project	Commencement date ^{Note 2}	Expected practical completion date ^{Note 3}	Original contract sum ^{Note 4}	Variation order value/ adjustments	Revenue contribution ^{Notes 5 and 10}				Estimated revenue to be recognised after Track Record Period
											Year ended 30 June		Four months ended 31 October 2022	HKS'000	
											2020	2021			
5330	A sports park at Kai Tak	Design, supply and installation of fire rated panel system and structural steel for scoreboard and flag pole	Public infrastructure and facilities	Public	Customer Group F	Main contractor	March 2022 ^{Note 6}	January 2024 ^{Note 6}	128,074	60	-	-	1,481	3,219	123,434
4908	A passenger terminal at an airport in Hong Kong	Design, supply, fabrication and installation of automatic smoke curtain system	Public infrastructure and facilities	Public	Customer Group E	Main contractor	December 2020	December 2023	55,020	303	-	251	4,387	2,512	48,179 ^{Note 10}
4719	A hospital at Kwai Chung	Supply and installation of fire protection coating to platform	Public infrastructure and facilities	Public	Customer Group A Customer R	Main contractor Subcontractor	June 2020	January 2024	48,382	-	2	1,400	529	97	46,354 ^{Note 10}
									-	887 ^{Note 4}	-	-	887	-	-
					Total:				48,382	887	2	1,400	1,416	97	46,354
5411	A passenger terminal at an airport in Hong Kong	Design, supply, fabrication, delivery and installation of 2 hours fire rated acoustic enclosure system	Public infrastructure and facilities	Public	Customer Group E	Main Contractor	June 2022	April 2024	39,000	-	-	-	224	19	38,757
5121	An express route at Yau Ma Tei West	Design, supply and fabrication of facade system on the landscaped deck	Public infrastructure and facilities	Public	Wing Kei Structural Metalworks Company Limited	Subcontractor	April 2022	October 2024	29,702	-	-	-	1,204	658	27,840
4539	A sports park at Kai Tak	Application of fire resistant coating	Public infrastructure and facilities	Public	Wing Kei Structural Metalworks Company Limited	Subcontractor	January 2021	June 2023	59,928	-	-	7,870	16,887	9,427	25,744
5399	A passenger terminal at an airport in Hong Kong	Design, supply, fabrication, delivery and installation of static smoke barrier at terminal 2 lower level areas	Public infrastructure and facilities	Public	Customer Group E	Main contractor	May 2022	April 2024	22,882	-	-	-	57	114	22,711

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Notes 5 and 10

Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer ^{Note 1}	Capacity of customer in the project	Commencement date ^{Note 2}	Expected practical completion date ^{Note 3}	Original contract sum ^{Note 4}	Variation order value/ adjustments	Revenue contribution			Estimated revenue to be recognised after Track Record Period
											Year ended 30 June		Four months ended 31 October 2022	
											2020	2021		
											HKS'000	HKS'000	HKS'000	
5153	Residential development at Kai Tak	Design, supply and installation of fire rated ceiling and enclosure	Residential	Private	Customer Group F	Main contractor	March 2023	March 2024	14,005	-	-	-	-	14,005
5015	A power station at Lamna Island	Fire protection system and painting works	Public infrastructure and facilities	Private	Customer Group C	Subcontractor	March 2021	June 2023	30,591	670	3,549	16,268	1,023	10,421
4627	A hospital at Kwun Tong	Supply and application of fire resistant coating system to structural steel works	Public infrastructure and facilities	Public	Customer Group D Customer R	Main contractor Subcontractor	March 2021	May 2023	8,616	1,477	205	2,831	731	6,326
									2,254	-	-	1,309	-	745
					Total:				10,870	1,477	205	4,940	731	7,071
5545	A tower at a university in Kowloon Tong	Supply and installation of fire rated board to steel duct	Public infrastructure and facilities	Public	Customer W	Subcontractor	Not yet commenced	December 2023	7,018	-	-	-	-	7,018
4811	An animal welfare building complex at Kai Tak	Design, supply and installation of aluminum feature and sub-frame for planter box	Public infrastructure and facilities	Public	Customer Group D	Main contractor	October 2021	January 2024	5,897	-	-	69	-	5,828
4683	A commercial development at Kai Tak	Application of fire resistant plaster and intumescent paint	Public infrastructure and facilities	Public	Wing Kei Structural Metalworks Company Limited	Subcontractor	November 2020	June 2023	6,040	-	361	792	-	4,887
136	Commercial development at Tsim Sha Tsui	Supply and installation of fire rated enclosure and ceiling	Commercial	Private	Customer S	Main contractor	January 2023	June 2023	2,341	-	-	-	-	2,341
5505	Residential development at Yuen Long	Supply, installation and removal of fire rated temporary steel platform	Residential	Private	Customer P	Subcontractor	Not yet commenced	September 2023	2,000	-	-	-	-	2,000

Notes:

- (1) For the purposes of the above table, the customer identified for the project is either (i) our sole customer of the project; or (ii) for Projects 4719 and 4627 where we have more than one customer of the project. Customer Group A, Customer Group C, Customer Group D, Customer Group E, Customer Group F, and Wing Kei Structural Metalworks Company Limited were among our five largest customers in each year/period during the Track Record Period. For further details on their background, please refer to the paragraph headed “Our customers — Five largest customers during the Track Record Period” in this section. Based on available public information, Customer R is a private construction company in Hong Kong; Customer S is a subsidiary of a company listed on the Stock Exchange; and Customer W is a sole proprietorship in Hong Kong which is mainly engaged in the provision of air conditioning engineering.
 - (2) The commencement date refers to the date of commencement based on when we began incurring expenses for the project as set out in payment applications.
 - (3) Unless otherwise specified, this refers to the date determined by our executive Directors when our works have practically completed with reference to the expected completion date specified in the relevant contract (if any), the initial work schedule or based on communications with our customers. These dates may change due to the progress of such projects and changes in project requirements.
 - (4) The original contract sum in respect of each project represents the contract sum stated in the contracts and if different, as stated in the payment certificates. It does not take into account subsequent adjustments due to variation orders. For Project 4719, during the course of the project, we were separately required by another subcontractor to conduct additional works outside the scope of the original agreement with the main contractor. Given, the works related to the same project and we were engaged by such other subcontractor under the variation orders, the costs were borne by such subcontractor rather than the main contractor, and that subcontractor is considered as an additional customer for the same project with variation orders accordingly.
 - (5) The revenue derived from each customer was determined based on the stage of completion of the contract using input method in accordance with HKFRS 15.
 - (6) Although there was a delay in the work schedule and expected practical completion date of Project 5330 due to the COVID-19 pandemic, particularly the fifth wave outbreak in Hong Kong in the first half of 2022, our Group has merely started relatively preliminary preparatory works in March 2022 and has not incurred significant up-front costs until October 2022 for this project. Accordingly, such delay to Project 5330 due to COVID-19 did not result in a material adverse effect on the business or financial condition of our Group.
 - (7) The above projects were all obtained by direct invitation for tender.
 - (8) Generally, a majority of the contract value for a project is agreed upon between our customer and us at the tendering stage when we enter into the formal contract or at the implementation stage due to variation orders requested by customers. A majority of the revenue for projects is typically recognised during the implementation stage from when we begin incurring a significant amount of up-front costs until the practical completion of projects. Given that the implementation stage for projects may take place over a number of years, with initial preparatory works conducted at the beginning of this stage but a significant portion of our works conducted only after the completion of the works of other contractors in the construction project (such as the establishment of building foundations and construction of the structures before our Group begins installing passive fire protection materials) a significant portion of our up-front costs may be incurred at a much later date than when we commenced works for projects.
- For Projects 4719 and 4908, we commenced initial preparatory works for such projects in June 2020 and December 2020, respectively, involving purchase of small quantity of materials involving primer and metal parts and components. For Project 4719, we applied fire resistant coating to steel surfaces and other works during the Track Record Period but have completed only a relatively small portion of the agreed works for this project involving the passive fire protection works involving the ceiling system of the hospital. For Project 4908, we began the supply and installation of smoke curtains during the Track Record Period but only completed a relatively small portion of the agreed works for this project. Based on the available information including the initial work schedule and communications with our customers, we expect that the practical completion for such projects will be in January 2024 and December 2023, respectively. Thus, despite the commencement of works for such projects in 2020, we expect to recognise a majority of the revenue from such projects after Listing.

Major completed projects during the Track Record Period and up to the Latest Practicable Date

The following table sets out the details of our top 20 completed projects during the Track Record Period and up to the Latest Practicable Date in terms of the revenue contribution during the Track Record Period:

Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer ^{Note 1}	Capacity of customer in the project	Commencement date ^{Note 2}	Practical completion date ^{Note 3}	Original contract sum ^{Note 4}	Variation order value/ adjustments	Revenue contribution ^{Note 5}			
											Year ended 30 June		Four months ended 31 October 2022	
											2020	2021	2022	2022
4876	A logistics centre at an airport in Hong Kong	Fire rated steel duct cladding works	Commercial	Private	Brilliant (E&M) Engineering Limited	Subcontractor	April 2021	January 2023	70,517 ^{Note 9}	Note 9	-	4,838	8,387	-
4979	A commercial complex at an airport in Hong Kong	Supply and installation of fire rated enclosure and metal platforms	Commercial	Private	Customer Group F	Main contractor	February 2021	February 2023	34,720	14,660	-	2,350	10,390	18,215
5046	Temporary quarantine facilities at Penny's Bay	Supply and installation of steel stair and corridors and fire resistant coating works	Public infrastructure and facilities	Public	Customer Group F	Main contractor	September 2020	January 2021	39,720	16,823	-	7,350	12,495	18,273
4659	A power station at Lamna Island	Supply and installation of fire protection system and painting works	Public infrastructure and facilities	Private	Customer Group C	Subcontractor	May 2019	May 2022	23,078	8,340	19,286	10,283	170 ^{Note 5}	1,123
4171	Public rental housing redevelopment at Pak Tin Estate	Supply, installation and removal of fire rated doors and temporary fire resistant metal platform	Residential	Public	Goldtech Construction Engineering Limited	Subcontractor	July 2017	August 2022	22,263	13,747	20,042	5,894	2,250	2,448
4806	A passenger terminal at an airport in Hong Kong	Design, installation, testing and commissioning of aluminium blades, pods, retail and service cabins	Public infrastructure and facilities	Public	Customer K	Subcontractor	May 2020	July 2022	35,072	-5,172 ^{Note 6}	660	7,447	14,530	4,943
5161	A transitional housing project at Yuen Long	Supply and installation of fire rated boards, metal and steel works	Residential	Public	Customer Group F	Main contractor	November 2021	July 2022	22,680	6,913	-	-	25,695	1,007
5024	Temporary quarantine facilities at Penny's Bay	Supply and installation of fire resistant structural frame of corridors and staircases	Public infrastructure and facilities	Public	Customer Group E	Main contractor	July 2020	October 2020	12,864	10,015	-	21,122	1,757	-

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Revenue contribution Note 5

Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer <small>Note 1</small>	Capacity of customer in the project	Commencement date <small>Note 2</small>	Practical completion date <small>Note 3</small>	Original contract sum <small>Note 4</small>	Variation order value/adjustments	Revenue contribution			Four months ended 31 October 2022
											2020	2021	2022	
											HK\$'000	HK\$'000	HK\$'000	HK\$'000
4637	A market in Central District	Supply and installation of fire rated boards, metal doors, false ceiling enclosure, fire resistant painting works and metal works in staircase and gutter	Public infrastructure and facilities	Public	Customer Group A	Main contractor	June 2019	July 2022	6,271	12,292	9,680	5,761	2,657	440
4692	Public rental housing development at Chai Wan	Supply and installation of fire rated metal doors, steel gates, glazed windows and metal works	Residential	Public	Customer Group A	Main contractor	November 2019	May 2022	12,295	3,384	472	5,978	7,144	2,085
4938	A commercial building redevelopment at Tsim Sha Tsui for a new complex including a hotel on upper levels	Supply, installation and removal of temporary steel platform for fire rated protection	Commercial	Private	Customer N Customer P	Subcontractor Subcontractor	October 2020	June 2022	8,399 5,100	2,086 -	- -	3,000 5,100	7,485 -	- -
Total:										2,086	-	8,100	7,485	-

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Project no.	Location	Scope of works	Type of properties	Nature of projects	Customer ^{Note 1}	Capacity of customer in the project	Commencement date ^{Note 2}	Practical completion date ^{Note 3}	Original contract sum ^{Note 4}	Variation order value/adjustments	Revenue contribution ^{Note 5}			Four months ended 31 October 2022
											2020	2021	2022	
											HKS'000	HKS'000	HKS'000	
4253	Residential buildings at Lohas Park	Supply and installation of fire rated boards for steel structures	Residential	Private	Customer Group F	Main contractor	January 2018	November 2021	7,850	13,992	7,558	2,718	3,770 ^{Note 5}	-
5324	Residential development at Hiram's Highway in Sai Kung	Supply, fabrication and installation, of fire rated steel platform	Residential	Private	Customer P	Subcontractor	January 2022	June 2022	15,800	-2,210 ^{Note 6}	-	-	13,590	-
4686	A commercial building at Quarry Bay	Supply and application of fire protection coating and supply and installation of supporting steel structure frames	Commercial	Private	Wing Kei Structural Metalworks Company Limited Customer R Customer Group F	Subcontractor Main contractor	November 2019	July 2022	5,670	3,329	27	2,306	5,132	1,535
									2,880	937	-	-	3,722	94
									8,550	4,418	27	2,306	9,006	1,629
4433	A high speed rail link at West Kowloon	Design, supply and installation of fire rated enclosure	Public infrastructure and facilities	Public	Customer Group D	Main contractor	November 2017	April 2020	36,480	55,052	12,160	-	-	-
4128	Public rental housing development at Shek Kip Mei Estate	Supply and installation of fire rated boards, pipe sleeve for parapet and fire resistant painting to footbridge and metal works	Residential	Public	Customer Group A	Main contractor	June 2018	December 2021	13,478	8,683	7,723	1,064	1,000	212
4069	Home Ownership Scheme flats at Kai Tak	Supply, delivery and installation of fire rated enclosures, false ceiling and stainless steel doors	Residential	Public	Customer Group A	Main contractor	September 2016 ^{Note 6}	July 2021	20,105	7,814	8,001	190	-	-
4448	Public rental housing development in Fanling	Design, supply and installation of fire rated boards and fire protection enclosure	Residential	Public	Customer Group F	Main contractor	August 2020	June 2022	6,500	1,331	-	3,258	4,186	387
4966	Office tower development at an airport in Hong Kong	Design, supply and installation of fire hose reel, door set for fire services, metal security gate and metal works	Public infrastructure and facilities	Public	Customer J	Main contractor	December 2020	August 2022	5,606	1,843	-	2,287	4,707 ^{Note 5}	455
4193	A museum at West Kowloon	Supply and installation of Gypsum ceiling works	Public infrastructure and facilities	Public	Customer Group E	Main contractor	September 2017	April 2021	6,787	939	6,582	844	-	-

Notes:

- (1) For the purposes of the above table, the customer identified for the project is either (i) our sole customer of the project; or (ii) for Projects 4686, 4876, 4979 and 4938 where we had more than one customer of the project. Customer Group A, Goldtech Construction Engineering Limited, Customer Group C, Customer Group D, Customer Group E, Customer Group F, Customer Group H and Wing Kei Structural Metalworks Company Limited were among our five largest customers in each year/period during the Track Record Period. For further details on their background, please refer to the paragraph headed "Our customers — Five largest customers during the Track Record Period" in this section. Based on available public information, each of Brilliant (E&M) Engineering Limited, Customer K, Customer P, Customer R and Customer V is a private construction company in Hong Kong; Customer J is a construction contractor company in Hong Kong, being a part of a group of companies with a holding company listed on Euronext Paris; and Customer N is a subsidiary of a company listed on the Stock Exchange.
- (2) The commencement date refers to the date of commencement based on when we began incurring expenses for the project as set out in payment applications.
- (3) Unless otherwise specified, this refers to the date when our works have practically completed with reference to the last payment certificate and we ceased to have incurred any cost for over two months for the relevant project subsequently.
- (4) The original contract sum in respect of each project represents the contract sum stated in the contracts and if different, as stated in the payment certificates. It does not take into account subsequent adjustments due to variation orders.
- (5) The revenue derived from each customer was determined based on the stage of completion of the contract using input method in accordance with HKFRS 15. For Projects 4659, 4253 and 4966, the revenue for the year ended 30 June 2022 reflected certain adjustments to the amount previously recognised based on the final amount certified or otherwise agreed with our respective customers for such projects.
- (6) The negative amount of variation orders and other adjustments for (i) Project 4806 was mainly because our customer no longer required us to perform certain works for a cabin on-site; and (ii) Project 5324 was mainly because our customer no longer required us to perform certain dismantling and removal works in relation to fire related steel platform as originally agreed. Such adjustments have been reflected in our revenue recognised for this project for the Track Record Period.
- (7) The above projects were all obtained by direct invitation for tender.
- (8) Customer Group H includes subsidiaries and majority-interested joint venture of a company listed on the Stock Exchange (the "**Customer Group H Holdco**") which is principally engaged in, among others, the provision of building related contracting services for both public and private sectors. In particular, it includes a joint venture (the "**Brilliant-Customer H JV**") in which Customer Group H and another one of our customers, Brilliant (E&M) Engineering Limited, has 51% and 49% interest respectively, established specifically for the purpose of undertaking the project of a logistics centre at an airport in Hong Kong. For further details of Customer Group H and the Brilliant-Customer H JV, please refer to the paragraph headed "Our customers — Five largest customers during the Track Record Period" in this section and note 9 below, respectively.

(9) We were informed by our customer, Brilliant (E&M) Engineering Limited, before the finalisation of the contract for Project 4876 that the customer's rights and obligations in our contract for Project 4876 would be novated to Brilliant-Customer H JV due to the intention of Brilliant (E&M) Engineering Limited to work together with Customer Group H to perform the services for the relevant project involving a logistics centre at an airport in Hong Kong. Accordingly, the customer's rights and obligations under our contract for Project 4876 were then novated to Brilliant-Customer H JV subsequently in November 2021 and after the commencement of the project. Subsequently, we were informed that the customer's rights and obligations in our contract for Project 4876 was further novated to a wholly-owned subsidiary of Customer Group H Holdco in March 2022 due to a difference in the management of the technical aspects of the project. Thus, as at the Latest Practicable Date, the rights and obligations of the customer under the relevant contract had been novated entirely to Customer Group H (other than the Brilliant-Customer H JV in which Brilliant (E&M) Engineering Limited is interested). Brilliant (E&M) Engineering Limited and Customer Group H each confirmed that there were no disputes between them in relation to the above arrangements. To the best of the knowledge, information and belief of our Directors, except for the business relationship in the usual and ordinary course of business and the forming of Brilliant-Customer H JV by Brilliant (E&M) Engineering Limited and Customer Group H specifically for the purpose of undertaking the project of a logistics centre at an airport in Hong Kong, there was no other relationship between them. To the best of the knowledge, information and belief of our Directors, except for business relationships in the usual and ordinary course of business, Brilliant (E&M) Engineering Limited and Customer Group H do not have any other past or present relationships (family, business, employment, trust, financing or otherwise) with our Group, our Shareholders, our Directors or senior management of our Group, or any of their respective associates. Up to the Latest Practicable Date and subject to the final account, Brilliant (E&M) Engineering Limited had settled all outstanding amounts payable to us in relation to Project 4876 and Customer Group H (which includes the Brilliant-Customer H JV) had an aggregate outstanding amount of approximately HK\$6.5 million payable to us in relation to Project 4876 being retention receivables for this project.

Variation orders for major completed projects

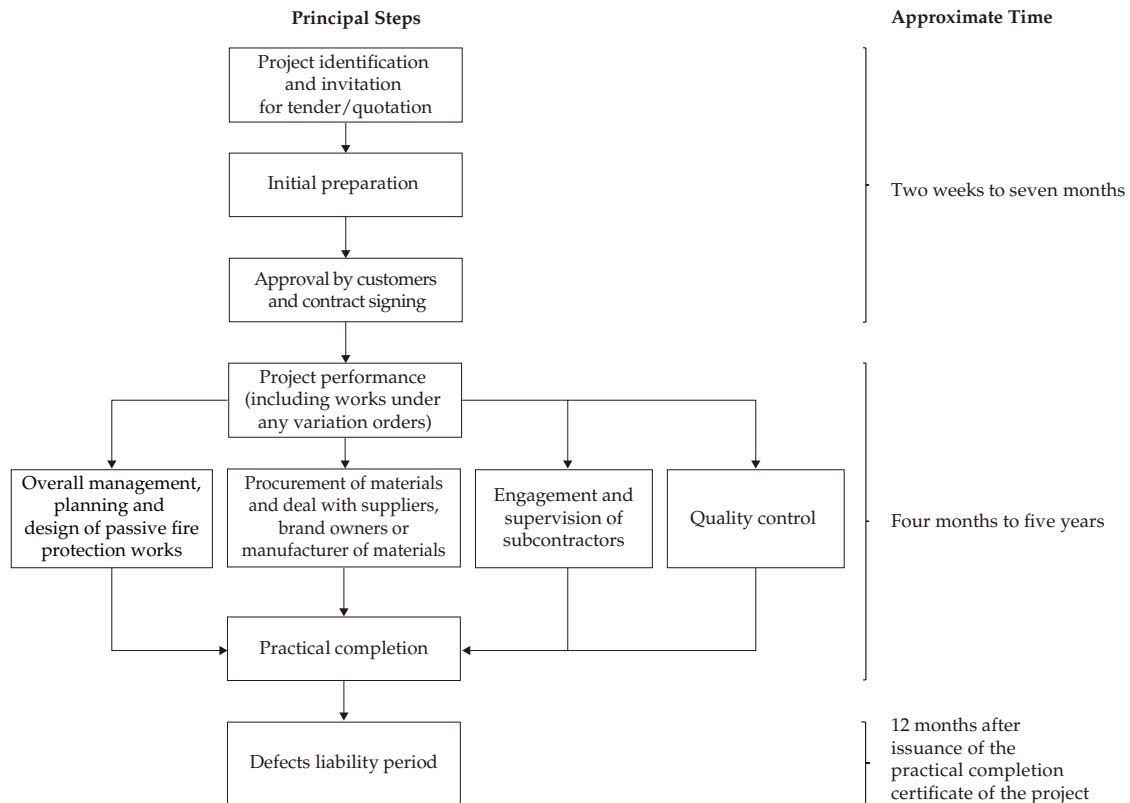
Although variation orders are not guaranteed and are based on our customers' request, during the Track Record Period, we had variation orders for most of the abovementioned major completed projects mainly due to the following reasons:

- (i) according to the Industry Report, variation orders are not uncommon in the passive fire protection works industry because the initial scope of and designs relating to the passive fire protection works, which are determined at the early stages of a project, are often revised during the implementation in response to the changes in the design and other construction works in the projects, project conditions and the sequence of construction works. For example, changes in the design and other construction works may require additional passive fire protection works where there is an increase in the size and complexity of the project, where remedial works are needed, and/or when completed passive fire protection works must be redone to accommodate such changes; and
- (ii) we had large-scale projects during the Track Record Period which tend to have more variation orders or variation orders with a higher contract value considering, among other reasons, the large size and greater complexity of such projects increase the likelihood of changes in the original designs or works to be reformed of such large-scale projects.

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OPERATION FLOW

The following diagram summarises the principal steps of our operation flow for our typical projects:



Note: The above time periods are for reference only. The time taken for submission of tender or quotation and award of contract is affected by the respective customer's internal approval process and the progress of the projects including whether there are any delays. Furthermore, the duration for projects varied significantly based on (i) the size, complexity and requirements of individual projects; and (ii) whether subsequent variation orders and modifications are required.

Identifying new projects and invitations for tender or provide quotations

Given our long established history in Hong Kong and our proven track record, we are able to obtain new projects from customers through invitations to tenders, direct invitations for quotations and referrals. We will also monitor the results of public tenders, such as on the websites of certain governmental bodies and private entities, in order to identify and approach the relevant main contractors with awarded projects for new business opportunities. As our customers are mainly main contractors and subcontractors, typically the tender process or request for quotation occurs after our customers are awarded with the project. Afterwards, they will request their selected subcontractors such as us for formal quotation or they conduct their own tender process. Depending on the customers' internal approval process, the tender may involve multiple rounds of interviews with ongoing discussions on potential technical issues and how to solve them.

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Initial preparation, approval by customers and contract signing

Once we identify such projects, our management and other supporting staff will prepare relevant quotations or tender documents, liaise with our customers to finalise our engagement and gather available information including (i) project specifications including location, types of services required, types of passive fire protection materials required, work schedule; and (ii) contract sum and payment terms. During this initial preparation stage, our management and other supporting staff are responsible for preparing a materials list and obtaining preliminary quotations from our sub-contractors so we can make our own cost assessment for the project. If the potential projects are considered attractive and applying for them is consistent with our tender strategy, we will undergo any relevant tender process and relevant customers' approval process to obtain the project.

For contracts awarded through tender, we are typically notified of the award to us through a letter of award, letter of intent or a signed quotation. We then begin making preliminary preparations for our project and finalising the terms of the formal contract for the projects. For further details of major terms of the contracts with our customers, please refer to the paragraph headed "Our customers — Major terms of contracts with customers" in this section. For contracts involving a quotation submission, our customers may simply sign on the quotation as an indication of acceptance.

During the Track Record Period, most of our revenue was derived from projects obtained through tender. Our current tender strategy is to focus on tenders with our major customers with a good reputation in the industry in order to maintain our relationship with them and develop attractive new business opportunities. The following table sets forth the number of contracts for which we have submitted tenders, the number of contracts awarded and the success rate during the years/period indicated:

	Year ended 30 June			Four months ended 31 October 2022	Period from 1 November 2022 to the Latest Practicable Date
	2020	2021	2022 ^{Note 3}	2022 ^{Note 3}	Date ^{Note 4}
Number of contracts for which we have submitted tenders	196	183	211	48	94
Number of contracts awarded ^{Note 1}	23	30	16	1	3
Amount of aggregate original contract sum for the contracts awarded (HK\$'000) ^{Note 2}	151,787	200,619	232,559	12	10,270
Success rate (%) ^{Note 1}	11.7	16.4	7.6	2.1	3.2

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Notes:

- (1) In the above table, success rate for a financial year/period is calculated based on the number of contracts awarded (whether awarded in the same financial year/period or subsequently) in respect of the tenders submitted during that financial year/period.
- (2) The original contract sum does not take into account the contract sum under the supplemental agreement(s) (if any).
- (3) During the Track Record Period, we shifted our focus from smaller projects to those with larger contract sums, which could generate more revenue. This is evidenced by the decrease in the number of tenders awarded and the tender success rates, but an increase in the aggregate original contract sum for the year ended 30 June 2022, as compared to the previous year. The amount of aggregate original contract sum for the contracts awarded grew continuously from approximately HK\$151.8 million for the year ended 30 June 2020 to HK\$200.6 million and HK\$232.6 million for the year ended 30 June 2021 and 2022, respectively.

Our Company's focus is still on projects with larger contract sums which can generate more revenue including for the period from 1 November 2022 to the Latest Practicable Date. However, the number and contract sum of contracts awarded for the four months ended 31 October 2022 was low mainly because we submitted less competitive tenders, and there was not many sizeable projects suitable for bidding during this short four-month period. During the four months ended 31 October 2022, we submitted only one tender for a contract with tender amount over HK\$25.0 million whereas for the years ended 30 June 2020, 2021 and 2022 and the period from 1 November 2022 to the Latest Practicable Date, we submitted three, seven, 13 and five tenders for contracts with a tender amount over HK\$25.0 million, respectively. It is expected that we will submit more competitive tenders especially those with large contract sums when our financial resources and workforce capacity for undertaking new contracts improve after Listing.

- (4) Subject to the complexity of the project, we normally complete our tender or quotation proposal within two weeks. If there is a tender process, results may vary based on the type of customer and complexity of the tender. Accordingly, the period from the identification of a potential project to its award date varies and is generally around two weeks to seven months. Therefore, for those tenders submitted for the period from 1 November 2022 to the Latest Practicable Date, the tender results have not been released for many tenders as at the Latest Practicable Date, including those five tender for contracts with a tender amount over HK\$25.0 million.

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In deciding which contracts to submit tenders for, we take into account not only the attractiveness of the terms of the relevant project but other benefits for tendering such as maintaining good relationship with specific customers, particularly if the tender is by their invitation, maintaining our presence in the market, and being informed of the latest market developments and pricing trends which are useful for tendering for contracts in the future. However, in preparing our tender proposals, we take into account our pricing policy and our available resources at the relevant time with reference to our contracts which may impact the competitiveness of such proposals. Accordingly, we submitted tenders for a relatively large number of contracts with varying levels of competitiveness which contributed to the level of and fluctuations in our tender success rates during the Track Record Period. The tender success rate in our industry in general ranged from approximately 10% to 30% according to the Industry Report, and therefore our tender success rate was within the range of the tender success rate in our industry for the years ended 30 June 2020 and 2021.^{Note} In relation to our relatively lower success rate for the year ended 30 June 2022 and the four months ended 31 October 2022, this was mainly because we were awarded fewer contracts as tenders we submitted were less competitive in general compared to prior years/periods with the limits to our available financial resources and workforce. Our executive Directors are not aware of any change in the solicitation of bids, margin expectations and pricing by our Group's five largest customers for each year/period during the Track Record Period due to our less competitive bids submitted during the aforesaid periods.

Note: Frost & Sullivan calculated the tender success rates for the passive fire protection works industry based on its research and with reference to the tender success rates disclosed by Hong Kong-listed companies that are principally engaged in active fire protection industry in Hong Kong. In considering that the tender success rates for the active fire protection works industry in Hong Kong are reliable indicators of the tender success rates for the passive fire protection works industry in Hong Kong, Frost & Sullivan noted that both active fire protection works and passive fire protection works have a number of similarities, such as (i) they are considered as specialist works; (ii) both of them are required in the construction, renovation and maintenance of buildings and other facilities; (iii) the demand of active fire protection works and passive fire protection works is generally derived by the similar group of customers and market drivers; (iv) they are both included in fire safety provisions, as defined in the "Code of Practice for Fire Safety in Buildings 2011" published by the Buildings Department, which refers to the installations, equipment, systems, building elements or methods used in a building to achieve the fire safety objectives; and (v) they both entail the installation, maintenance, alteration and addition of systems and equipment, materials and components that prevent fire development and spread in a building. Given the above similarities and consistent with its research, Frost & Sullivan considered the tender success rates of the active fire protection works industry in Hong Kong to be comparable to and indicative of the tender success rates of the passive fire protection works industry in Hong Kong.

Project performance

In relation to project performance, we have established project teams for overseeing and handling different aspects of our projects. Our project teams generally include project managers and relevant support team members with responsibilities as detailed below:

Position	Main responsibilities
<i>Project managers</i>	<p>Our project managers and assistant project managers are responsible for overall project management and coordination including planning and monitoring the implementation and progress of projects, ensuring issues are promptly addressed, providing guidance and directions to support team members and workers of subcontractors, preparing detailed reports, procurement of materials and the selection of suppliers and subcontractors for our projects.</p>
<i>Support team members</i>	<p>Our support team members include site foremen, engineers, quantity surveyors, draftsmen and site agent. Set out below are some general duties performed by such supporting team members:</p> <p>Our site foremen are mainly responsible for supervising and monitoring ongoing project, assisting project managers in managing our project and site progress, and ensuring the quality of services and completion of the works within the agreed work schedule.</p> <p>Our engineers mainly act in a support role in projects including testing and follow-up on the production of necessary materials. They will help prepare and maintain any technical documentation for projects and coordinate with various team members.</p> <p>Our quantity surveyors are mainly responsible for preparing and monitoring project budgets, ensuring proper budget controls and conducting costs analysis. They will help estimate the value of sub-contracts, check the payment applications and accounts with our subcontractors. Our quantity surveyors will also review documentation relating to variation orders and our contracts with subcontractors.</p> <p>Our draftsmen are mainly responsible for working with the architects and other design teams and provide advice on appropriate fire safety designs as well as preparing detailed designs and drawings relating to the above.</p> <p>Our site agents are mainly responsible for liaising with the main contractors.</p>

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As part of our project performance, our project teams will assist in the overall management, planning and design of the passive fire protection works. In relation to our design work, we will consider relevant fire safety requirements, recommend suitable alternative passive fire protection materials and provide more detailed designs given our familiarity and expertise in this area. Our project teams will typically provide detailed drawings and designs with the recommended materials to be used in the relevant project for our customers' approval. Afterwards, our project teams will begin making necessary preparations including engaging suppliers (including subcontractors) which is normally conducted through direct engagement with suppliers on our approved list of suppliers. We engage subcontractors in carrying out all of the more labour intensive works including installation and application of passive fire protection materials and components. For further details of the reasons for subcontracting and the arrangements with such suppliers, please refer to the paragraph headed "Our suppliers — Reasons for subcontracting" in this section. In order to prevent illegal foreign workers from being used, we require our subcontractors to provide us with a list of their workers with supporting documents, such as their Hong Kong identification cards. We will also procure passive fire protection materials and other materials from our suppliers of materials according to the requirements of the contracts and on an as needed basis. Our suppliers are normally responsible for the delivery of such materials to the project site.

We will monitor and supervise the works conducted by our subcontractors and conduct other measures to ensure the quality of our services (for further details, please refer to the paragraph headed "Quality control" in this section). After the installation and application of the passive fire protection materials to our satisfaction, we will issue a certificate(s) to our customers with the endorsement from our suppliers of materials (or in certain cases, the relevant brand owner or manufacturer of the product) confirming the proper application of the specified passive fire protection materials in the project.

During the project performance stage, we will make progress payment applications to our customers which sets out the amount of work done and its corresponding value, usually on a monthly basis. The application is subject to examination by our customers or their representatives and the issuing of a progress payment certificate based on such examination approving the amount of works eligible for payment under the application. Depending on the terms of the relevant contracts, our customers are generally required to settle the payments to us within 14 days to 60 days from the date of invoice. Furthermore, a certain percentage of each progress payment made to our Group, usually ranging from 5% to 10% of the relevant progress payment fee, the aggregate of which is subject to the maximum amount of 5% of the total contract value, may be withheld by some customers as retention money and will be released at the end of the defect liability period.

Variation orders

During the course of the project, our customers may place variation orders pursuant to the relevant terms of the contract or as additional requests. Variation orders may involve additions, omissions, substitutions, alternations, changes in quality, form, character, kind, position, dimension, level or line, deletion of any part of works or reduction in quantities of any items of the original scope of work and change the original contract sum. We will discuss with our customers to mutually agree on the sum of variation orders to be added to or deducted from the original contract sum primarily with reference to the schedule of unit rates provided in the relevant contract. The principal contract terms and settlement in respect of the variation orders are generally in line with the terms of the main contract.

Practical completion

For new developments and sizeable projects, our contracts with our customers may be cross-referenced to the terms of the relevant contracts between the main contractors with the project owners. Provisions within our contracts with our customers may also refer to the status of the overall construction project. Accordingly, our projects may continue even after we have substantially completed all the passive fire protection works as originally agreed with our customers such as when the main contractors and other contractors have not yet completed the various other types of construction works or where there are delays in the underlying construction projects. The practical completion certificates typically issued by the project owners (or their representatives) acknowledging completion of all works for such projects and the determination of the final accounts between such parties and the main contractor for the projects may occur after a significant period after we have substantially completed all of our originally agreed passive fire protection works.

Given the above, in particular the possibility of rectification works required by our customers and additional works from variations orders prior to final completion of the projects, the determination of practical completion may require an assessment of various factors by our Group's management and with reference to the work schedule and extensions discussed with our customers. In general, we regard our projects as practically completed when our works have substantially completed as signified by the last payment certificate received by us and that the relevant project not incurring any cost for over two months subsequently.

According to the Industry Report, relevant authorities in Hong Kong would inspect or assess the compliance of a construction project with applicable laws, rules and regulations upon its completion. In respect of the fire safety requirements, the registered fire service installation contractors should be ultimately responsible for assisting fire service installations and equipment owners in ensuring all fire service installations and equipment (including both the active fire protection works and passive fire protection works) in building projects are in efficient working order and in compliance with the requirements as set out by the Fire Services Department. During such inspections and assessments by the Fire Services Department, passive fire protection services providers will typically work with customers, the registered fire service installation contractors

and/or other responsible parties involved in the project which serve as the primary contact person(s) with the Fire Services Department (for further details of such assessment, please refer to the section headed “Industry overview — Overview of passive fire protection works market — Introduction of passive fire protection works and differences with active fire protection works” in this prospectus). Our executive Directors confirmed that so far as they are aware, none of our projects during the Track Record Period failed the inspections and assessments of fire safety standards by the Fire Services Department upon project completion as a result of the passive fire protection works conducted by our Group.

Defect liability period

Under our contracts with customers, we are generally required to provide repair and rectification works to our customers during the defect liability period, which is generally for 12 months after issuance of the practical completion certificate of the project. During the defect liability period, we will be responsible for, at our own expense, rectifying any defects caused by either defective materials as well as defective works provided by our Group. Upon the end of the defect liability period, our customer will generally release all the retention monies to us. Our Group was not subject to any claims for defect liability from our customers during the defect liability period of our projects during the Track Record Period.

PRICING POLICY AND CREDIT MANAGEMENT

Pricing policy

Generally the pricing of our services is on a cost plus basis (based on an initially estimated cost at the tendering stage plus a target margin). Our pricing policy takes into account the following major factors: (i) scope of services, specifications by customers and complexity of the projects; (ii) project location and area of coverage; (iii) work schedule; (iv) our relationship with the customer; (v) the estimated costs of procuring passive fire protection materials and engaging subcontractors; (vi) prevailing market rates; and (vii) our budget and determination of a reasonable profit margin.

Thus, when determining the reasonable profit margin as part of our Group’s tender submission, we may determine a higher or lower gross profit margin for projects based on the above factors such as accepting (i) a relatively lower profit margin for projects at a landmark location and thus potentially beneficial for building our brand recognition or where the works required were relatively simple; or (ii) a relatively higher profit margin for projects involving a relatively short-time line for completion of certain works or the whole project as required by our customers (for further analysis, please refer to the section headed “Financial information — Principal components of results of operations — Gross profit and gross profit margin” in this prospectus).

Payment terms and credit management

We decide the credit period granted to our customers on a case-by-case basis by taking into account such factors as the terms of the contract, customer's background, credit-worthiness and our business relationship. Typical credit period granted by us during the Track Record Period were 14 days to 60 days from the date of the invoice. We normally send monthly payment applications to our customers and they settle by way of cheques or bank transfer in HK\$.

Our finance team and quantity surveyors work together to monitor the budget of each project and identify cost-overflow above our original estimates. In the event of potential overflow, we will investigate and devise means to prevent or minimise such overflow. Our executive Directors confirmed that we did not have any loss-making projects for projects completed during the Track Record Period.

Our finance team is responsible for following up with quantity surveyors to monitor overdue balances and our receivable balances on an ongoing basis for collection from customers and also to determine whether provision for net impairment loss on trade receivables should be made. If considered necessary, we will commence legal proceedings against such customers after the payment remains outstanding over a substantial period of time.

QUALITY CONTROL

We are dedicated to maintaining a high quality in our services given the importance of our reputation in attracting new business opportunities and we have established a quality management system, which has been accredited with ISO 9001 certification since 2014. To ensure the quality of our services, we have adopted the following major quality control measures:

- ***Quality management and regular inspection:*** Our project teams are responsible for the quality management of specific projects and ensuring the proper implementation of our procedures and plans, particularly checking the compliance with any standards required by our customers and monitoring the service quality in our projects.
- ***Detailed procedures and record keeping:*** Under our quality management system, we maintain detailed procedures including quality manual, quality procedures and quality plan as well as template work instructions and forms to maintain proper record keeping on the progress of our works, issues identified from inspections and testing and the status of rectifications to ensure timely completion according to work schedule and prompt updates to our management and our customers.

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- ***Careful selection of suppliers (including subcontractors):*** We typically engage suppliers (including subcontractors) from our list of approved suppliers. We add or remove suppliers to or from our list based on their reputation, quality and general terms provided including their general prices. In the selection of suppliers of materials, we particularly focus on the range of products supplied, the specification and acceptability and environmental friendliness of such products, and the timeliness of their delivery. In the selection of subcontractors, we particularly focus on their experience and expertise in the use of a variety of passive fire protection materials, their available resource and their past performance.
- ***Quality control over materials supplied:*** Before delivery of materials to the project site, we will typically request for and review the relevant test reports from recognised laboratories as procured by our suppliers of materials confirming that the fire resistance performance of the specific brand(s) of materials was tested and satisfied the applicable fire resistance performance standards. Where appropriate, we will also separately engage laboratories or external testing companies to conduct various tests on materials supplied such as water penetration, pressure drop, tensile and hardness to satisfy ourselves with the quality of the products. If the quality of the products supplied is not up to our standards, we will request our suppliers of materials to replace and provide suitable substitutes.
- ***Control over subcontractors:*** Our operation team is responsible for drafting method statements for each project so front-line workers (including our subcontractors' workers) are aware of our scope of services for the specific project, the passive fire protection materials to be used, proper handling and application procedures for such materials such as reminder on pre-application mixing and the specific thickness requirements for the proper application of certain fire resistant paints and the need for uniform application across surfaces. It also includes lists of expected equipment to be used and proper safety warnings and protocols. Our foremen and other members of our project management team will conduct inspections to check the works conducted by such workers for compliance with our specifications such as by using a handheld coating thickness gauge after the fire resistant paint is applied to ensure proper thickness.
- ***Complaint management process:*** we maintain on-going communications with our customers or their representatives to keep them informed of project status and to address complaints and obtain feedback. During the Track Record Period, we did not receive any written complaints or other complaints which had a material effect on our business operations from our customers.

SALES AND MARKETING

Given our long established history in Hong Kong, our proven track record, strong relationship with our customers and our relatively recent efforts to build our brand and attract potential customers through our provision of passive fire protection information services since 2020, we did not conduct significant marketing or promotional activities during the Track Record Period.

SEASONALITY

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality given that we have projects throughout the year, projects that allow us to apply for interim progress payments, generally on a monthly basis, and our works are generally conducted indoors and thus largely unaffected during typhoon season.

OUR CUSTOMERS

Characteristics of customers

Our direct customers are principally main contractors and subcontractors of projects which engage us as their passive fire protection services provider. In certain cases, we are directly engaged by the relevant private owners of the properties. Our five largest customers in each year/period during the Track Record Period included property developers and construction contractors and most of them are subsidiaries of companies listed on the Stock Exchange or other recognised stock exchanges.

Number of customers served

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, we served 49, 46, 41 and 28 customers, respectively. As our direct customers are principally main contractors and subcontractors of projects, we may be engaged by them for a variety of different public sector and private sector projects involving different project owners. Due to the above, we experienced a certain degree of customer concentration during the Track Record Period. However, as we are engaged on a project by project basis, we typically still need to tender for each new project from such customers.

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Customer concentration

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest customer in each year/period accounted for approximately 21.9%, 27.3%, 22.1% and 51.3% of our total revenue, respectively, while our five largest customers in each year/period accounted for approximately 69.3%, 67.4%, 60.3% and 86.9% of our total revenue, respectively. Our customer concentration for the four months ended 31 October 2022 was particularly high with the largest customer, Customer Group H, accounted for 51.3% of our total revenue mainly because we generated significant revenue of approximately HK\$67.3 million from Project 4876, a sizeable commercial project involving a logistics centre at an airport in Hong Kong, which accounted for approximately 51.3% of our total revenue for the period. However, our executive Directors believe that the identities of our largest customers change depending on the identity and status of our sizeable projects from time to time and we did not significantly rely on any individual customer. Accordingly, our largest customer was different for each financial year during the Track Record Period. Customer Group H was one of our top five customers for the year ended 30 June 2022 and the four months ended 31 October 2022 only, therefore our executive Directors consider that there is no reliance on any single customer during the Track Record Period.

Five largest customers during the Track Record Period

Set out below is a breakdown of our total revenue from our five largest customers in each year/period during the Track Record Period and their respective background information:

For the year ended 30 June 2020

Customer	Capacity of customer	Commencement of business relationship	Type of goods or services provided by us	Credit term	Payment method	Revenue	
						HK\$'000	%
Customer Group A	Main contractor	2007	Passive fire protection works	14 to 30 days	By cheque/ Bank transfer	32,876	21.9
Goldtech Construction Engineering Limited	Subcontractor	2017	Passive fire protection works	30 days	By cheque	20,696	13.8
Customer Group C	Subcontractor	2018	Passive fire protection works	45 days	By cheque/ Bank transfer	19,412	12.9
Customer Group D	Main contractor	2017	Passive fire protection works	35 days	By cheque/ Bank transfer	15,769	10.5
Customer Group E	Main contractor	2004	Passive fire protection works	14 to 60 days	By cheque/ Bank transfer	15,247	10.2
						104,000	69.3

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For the year ended 30 June 2021

Customer	Capacity of customer	Commencement of business relationship	Type of goods or services provided by us	Credit term	Payment method	Revenue	
						HK\$'000	%
Customer Group F	Main contractor	2009	Passive fire protection works	21 to 30 days	By cheque/ Bank transfer	50,823	27.3
Customer Group E	Main contractor	2004	Passive fire protection works	14 to 60 days	By cheque/ Bank transfer	30,950	16.6
Customer Group A	Main contractor	2007	Passive fire protection works	14 to 30 days	By cheque/ Bank transfer	18,830	10.1
Customer Group C	Subcontractor	2018	Passive fire protection works	45 days	By cheque/ Bank transfer	13,832	7.4
Wing Kei Structural Metalworks Company Limited	Subcontractor	2009	Passive fire protection works and passive fire protection information services	30 days	By cheque	11,182	6.0
						125,617	67.4

For the year ended 30 June 2022

Customer	Capacity of customer	Commencement of business relationship	Type of goods or services provided	Credit term	Payment method	Revenue	
						HK\$'000	%
Customer Group F	Main contractor	2009	Passive fire protection works	21 to 30 days	By cheque/ Bank transfer	53,239	22.1
Customer Group H	Subcontractor	2018	Passive fire protection works	30 days	By cheque/ Bank transfer	32,424	13.5
Wing Kei Structural Metalworks Company Limited	Subcontractor	2009	Passive fire protection works and passive fire protection information services	30 days	By cheque	25,194	10.5
Customer Group E	Main contractor	2004	Passive fire protection works	14 to 60 days	By cheque/ Bank transfer	17,774	7.4
Customer Group C	Subcontractor	2018	Passive fire protection works	45 days	By cheque/ Bank transfer	16,437	6.8
						145,068	60.3

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For the four months ended 31 October 2022

Customer	Capacity of customer	Commencement of business relationship	Type of goods or services provided by us	Credit term	Payment method	Revenue	
						<i>HK\$'000</i>	%
Customer Group H	Subcontractor	2018	Passive fire protection works	30 days	By cheque / Bank transfer	67,253	51.3
Customer Group F	Main contractor	2009	Passive fire protection works	21 to 30 days	By cheque / Bank transfer	24,765	18.9
Wing Kei Structural Metalworks Company Limited	Subcontractor	2009	Passive fire protection works and passive fire protection information services	30 days	By cheque	11,764	9.0
Customer Group E	Main contractor	2004	Passive fire protection works	14 to 60 days	By cheque / Bank transfer	5,081	3.9
Customer Group A	Main contractor	2007	Passive fire protection works	14 to 30 days	By cheque / Bank transfer	4,973	3.8
						<u>113,836</u>	<u>86.9</u>

Notes:

- (1) Customer Group A includes subsidiaries and a joint venture of two subsidiaries of a company listed on the Stock Exchange (the “**Customer Group A Holdco**”) which is principally engaged in construction and property businesses, with operations spanning Hong Kong, Macau and the Mainland China. Based on the latest annual results announcement of the Customer Group A Holdco, its total turnover amounted to over HK\$6 billion for the year ended 31 December 2022.
- (2) Goldtech Construction Engineering Limited is a construction contractor company in Hong Kong incorporated in 2015 and engaged in, among others, metal works and minor works. According to public records, Goldtech Construction Engineering Limited is registered in the Register of Subcontractors of the Construction Industry Council in the trades of shutters/doors fabrication and installation — fire rated door, metal work, other finishing trades and components — dry wall system, and renovation and fitting-out.
- (3) Customer Group C includes subsidiaries of a company listed on the Stock Exchange (the “**Customer Group C Holdco**”) which is principally engaged in (i) provision of structural engineering works; (ii) supply and installation of building material products; and (iii) trading of building material products. Based on the latest annual report of the Customer Group C Holdco, its revenue amounted to over HK\$0.4 billion for the year ended 31 March 2022.
- (4) Customer Group D includes subsidiaries of a company listed on the Stock Exchange (the “**Customer Group D Holdco**”) which is principally engaged in civil engineering works in Hong Kong and the PRC. Based on the latest annual results announcement of the Customer Group D Holdco, its revenue amounted to over HK\$12 billion for the year ended 31 December 2022.

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- (5) Customer Group E includes subsidiaries of a construction and engineering contractor headquartered in Hong Kong which is a joint venture owned by as to 50% each by (i) a wholly-owned subsidiary of a company listed on the London Stock Exchange, Singapore Exchange Limited and the Bermuda Stock Exchange; and (ii) a company listed on the London Stock Exchange.
- (6) Customer Group F includes subsidiaries of a company listed on the Stock Exchange (the “**Customer Group F Holdco**”) which is principally engaged in property development and investment, development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance, and other businesses (including facilities management, transport, environment, logistic, department store, media and technology and other strategic businesses). Based on the latest annual report of the Customer Group F Holdco, its revenue amounted to over HK\$68 billion for the year ended 30 June 2022.
- (7) Wing Kei Structural Metalworks Company Limited is a construction contractor company in Hong Kong incorporated in 1999 which is principally engaged in the construction of steel structures in Hong Kong. According to public records, Wing Kei Structural Metalworks Company Limited is registered in the Register of Subcontractors of the Construction Industry Council in the trades of structural steelwork.
- (8) Customer Group H includes subsidiaries and majority-interested joint venture of Customer Group H Holdco, a company listed on the Stock Exchange which is principally engaged in the trading of plastic and chemical products, the provision of building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and provision of maintenance services, superstructure construction works and foundation piling works and sub-structure works for both public and private sectors in Hong Kong and Macau, distribution of aviation system and other hi-tech products, property holding and development and investment holding. Based on the latest annual results announcement of the Customer Group H Holdco, its revenue amounted to over HK\$5 billion for the year ended 31 December 2022.

The five largest customers of our Group in each year/period during the Track Record Period are Independent Third Parties. None of our Directors, their close associates, or any Shareholders who to our Directors’ knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group in each year/period during the Track Record Period.

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To the best of the knowledge, information and belief of our Directors, except for business relationship in the usual and ordinary course of business, none of our Group's customers (including their shareholders, directors, senior management or any of their respective associates) during the Track Record Period have any other past or present relationship (including, but not limited to, family, financing, employment or otherwise) with any of our Controlling Shareholders, Directors, senior management of our Group or any of their respective associates.

Major terms of contracts with customers

As most of our projects were obtained by tender, the terms of contracts with our customers may vary according to the terms of the tender and further negotiations with our customers. Generally, the major terms of the contracts with customers are as follows:

Scope of works The contracts normally set out the scope of services to be carried out by our Group and the project specifications or requirements. We are generally required to also procure the materials used for our services and our customers may specify certain brands of materials or an acceptable alternative to them.

Work schedule As subcontractor, we have to follow the main contractor's programme of works on site and complete our works within a specified period in accordance with their specified work schedule. The contract may or may not stipulate the start date and the customer will usually notify us the time to commence work.

Contract sum and payment terms During the Track Record Period, most of our revenue for passive fire protection works is derived from contracts involving remeasurement. In contracts involving remeasurement basis, the agreed unit rates and the estimated quantities of work items are also included in the contract but the final contract sum is subject to remeasurement of the works done and our Group will be paid based on the actual amount of works done in the project, which normally will be measured by our customers upon completion of the works. Even where a contract sum is specified in the contract, it may be adjusted due to any variation orders to the defined scope of works following the mechanism specified in the relevant contract.

Based on the amount of work completed, we make interim progress payment application to the customer which sets out the amount of work done and its corresponding value, usually on a monthly basis. The approval of such application is subject to examination by the customer or its representative and the issuing of a progress payment certificates after such examination approving the amount of works eligible for payment under the application.

During the Track Record Period, our customers may include a pay when paid clause in the contracts which allows them to pay us only after collection of payment from their customers.

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<i>Retention money</i>	<p>A certain percentage of each progress payment made to our Group, usually ranging from 5% to 10% of the relevant progress payment fee, the aggregate of which is subject to the maximum amount of 5% of the total contract value, may be withheld by some customers as retention money and will be released at the end of the defect liability period.</p>
<i>Defect liability period</i>	<p>A defect liability period is generally for 12 months after issuance of the practical completion certificate of the project. During the defect liability period, we will be responsible for, at our own expense, rectifying any defects caused by defective materials as well as defective works provided by our Group.</p>
<i>Liquidated damages</i>	<p>The contracts usually include a liquidated damages clause stipulating that in the event we fail to complete the works within the allowed timeframe, we are required to compensate the customers by way of liquidated damages based on a daily fixed sum set out in the contract.</p> <p>Our executive Directors confirmed that (i) there was no material liquidated damages paid by our Group during the Track Record Period; and (ii) our Group did not incur liquidated damages from claims by our customers during the Track Record Period and up to the Latest Practicable Date.</p>
<i>Other administrative penalties</i>	<p>The contracts may also include clauses stipulating situations where our customers may impose relatively small administrative penalties on us for minor deficiencies in carrying out our services such as absence of a representative at a work coordination meeting and deviation from safety practices. This amount is generally deducted from the payments to us.</p> <p>Our executive Directors confirmed that our Group incurred administrative penalties claims by our customers amounting in aggregate to less than HK\$100,000 during the Track Record Period and up to the Latest Practicable Date.</p>
<i>Variation orders</i>	<p>Depending on the terms and conditions of individual contracts, our customers may give instructions to us to vary the contract works which we are generally obliged to follow. Such variation orders could be addition, modification or cancellation of the contract works. The value of the variations is generally ascertained with reference to the rates and prices already specified in the contract, and the total contract sum of the relevant project is adjusted accordingly.</p>
<i>Insurance</i>	<p>Generally, it is the obligation of the main contractor of the construction project to effect all necessary insurance policies for its subcontractors. Under the contracts with our customers, we are required to report any accident or injury to our staff and our subcontractor's staff to the main contractor within a stipulated time period.</p>

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Termination

Generally, our customers may terminate the contracts by giving notice if (i) we have completely or substantially suspended our works without good cause; (ii) we have failed to carry out our work properly and diligently; or (iii) we are being liquidated. Our contracts do not generally grant us a right to terminate the contracts unilaterally.

In the event of termination of the main contract between the project owners and our customers, our contracts with our customers will be terminated correspondingly.

Our executive Directors confirmed that, during the Track Record Period, there was no claim for material liquidated damages made by our customers in respect of our passive fire protection works. Our executive Directors do not expect any material delay in the time of completion of projects in progress as at the Latest Practicable Date which is likely to cause material liquidated damages to be imposed on us.

OUR SUPPLIERS

Characteristics of suppliers

The following table sets out a breakdown of our total costs of services (excluding direct labour costs) by type during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October			
	2020		2021		2022		2021		2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Subcontracting										
fees	55,497	55.1	59,661	49.3	95,509	57.6	33,612	61.7	52,330	56.8
Costs of										
materials	43,414	43.1	57,966	47.9	66,377	40.0	19,941	36.6	34,861	37.9
Others	1,814	1.8	3,361	2.8	3,868	2.4	950	1.7	4,872	5.3
Total	100,725	100.0	120,988	100.0	165,754	100.0	54,503	100.0	92,063	100.0

Our major suppliers during the Track Record Period were mainly subcontractors responsible for installing and applying materials, particularly passive fire protection materials, in our projects and suppliers of such materials, particularly fire rated boards, fire resistant paints, metal parts and components and precast concrete. Our five largest suppliers in each year/period during the Track Record Period were located in Hong Kong and the PRC.

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We normally engage our suppliers on a project-by-project basis and select our suppliers from our list of approved suppliers through direct engagement. As at the Latest Practicable Date, we had 116 suppliers on our approved list including 76 suppliers of materials and 40 subcontractors. Our Group generally maintains multiple suppliers and subcontractors for materials and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or engaging subcontractors during the Track Record Period.

Generally, our Group's subcontracting fees are settled on a monthly basis, while purchases of materials are settled on an order-by-order basis. During the Track Record Period, our purchases were all settled in HK\$ and normally by way of cheque. Credit period offered by our major suppliers is usually 30 days to 60 days or payable upon delivery.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties or delays in performing our projects caused by material shortages or delays in the supply of materials and services that we required. Although we experienced a temporary delay from around April 2022 to May 2022 in the deliveries by certain suppliers with operations in or sourcing from the PRC due to the resurgence of the outbreak of COVID-19 in Hong Kong and the PRC, it did not have long-lasting material adverse impact on our operation as discussed in the paragraph headed "Occupational health and safety — Impact of COVID-19" in this section.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuation on the price of fire protection materials sourced by us that had a material adverse impact on our business, financial condition or result of operation. Given that our executive Directors consider various factors, including but not limited to the future price trends of materials and services when estimating costs and preparing our tender proposals, our executive Directors believe we can generally pass on increases in costs to our customers.

According to the Industry Report, the profitability of subcontractors engaged by passive fire protection services providers like our Group varies and is subject to the availability of labour, supply of material and the level of market competition from time to time.

Five largest suppliers during the Track Record Period

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest supplier (not being subcontractor) in each year/period accounted for approximately 9.6%, 5.7%, 5.7% and 13.5% of our total costs of services (excluding direct labour cost), respectively, while our five largest suppliers (not being subcontractors) in each year/period accounted for approximately 28.0%, 22.0%, 15.2% and 25.6% of our total costs of services (excluding direct labour cost), respectively.

BUSINESS

Set out below is a breakdown of our total purchases from our five largest suppliers (not being subcontractors) in each year/period during the Track Record Period and their respective background information:

For the year ended 30 June 2020

Supplier	Commencement of business relationship	Type of materials purchased	Credit term	Payment method	Purchase amount <i>HK\$'000</i>	As a percentage of costs of services (excluding direct labour costs) %
Hua Xin Steel Work Engineering Limited	2019	Metal parts and components	30 days	By cheque	9,672	9.6
Warwick Building	2009	Fire resistant paints, plasters and fire retardant wool	30 to 60 days	By cheque	7,065	7.0
Supplier B	2002	Fire rated boards	45 days	By cheque	4,923	4.9
Goldin Innovation Group	2016	Metal parts and components	Upon delivery	By cheque	3,478	3.5
Supplier C	2002	Fire rated boards and fire retardant wool	30 days	By cheque	3,078	3.1
					28,216	28.0

For the year ended 30 June 2021

Supplier	Commencement of business relationship	Type of materials purchased	Credit term	Payment method	Purchase amount <i>HK\$'000</i>	As a percentage of costs of services (excluding direct labour costs) %
Hua Xin Steel Work Engineering Limited	2019	Metal parts and components	30 days	By cheque	6,918	5.7
Supplier D	2020	Fire resistant paints	Upon delivery	By cheque	6,645	5.5
Supplier B	2002	Fire rated boards	45 days	By cheque	5,005	4.1
Supplier C	2002	Fire rated boards and fire retardant wool	30 days	By cheque	4,540	3.8
Tanda International	2007	Fire rated boards and damper	30 to 60 days	By cheque	3,474	2.9
					26,582	22.0

BUSINESS

For the year ended 30 June 2022

Supplier	Commencement of business relationship	Type of materials purchased	Credit term	Payment method	Purchase amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Supplier B	2002	Fire rated boards	45 days	By cheque	9,433	5.7
Supplier D	2020	Fire resistant paints	Upon delivery	By cheque	4,363	2.6
Supplier E	2015	Metal parts and components	30 days	By cheque	4,278	2.6
Supplier F	2020	Precast concrete	7 to 30 days	By cheque	3,875	2.3
Supplier G	2020	Metal parts and components	30 days	By cheque	3,322	2.0
					25,271	15.2

For the four months ended 31 October 2022

Supplier	Commencement of business relationship	Type of materials/ services purchased	Credit term	Payment method	Purchase amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Supplier B	2002	Fire rated boards	45 days	By cheque	12,471	13.5
Supplier H	2022	Fire resistant coating	Before delivery	By cheque	3,559	3.9
Supplier I	2019	Rental services for aerial platforms	30 days	By cheque	3,083	3.3
Supplier C	2002	Fire rated boards and fire retardant wool	30 days	By cheque	2,545	2.8
Warwick Building	2009	Fire resistant paints, plasters and fire retardant wool	30 to 60 days	By cheque	1,930	2.1
					23,588	25.6

BUSINESS

Notes:

- (1) Hua Xin Steel Work Engineering Limited, Supplier E and Supplier G are private companies in Hong Kong which are engaged in supply of metal parts and components.
- (2) Supplier B and Supplier C are both private companies in Hong Kong which are engaged in the trading of fire protection materials.
- (3) Supplier D is a subsidiary of a company listed on the Swiss Stock Exchange, which is a specialty chemicals company active in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the motor vehicle industry.
- (4) Supplier F is a private company in Hong Kong which are engaged in the supply of engineering materials.
- (5) Supplier H is a BVI company operating in Hong Kong which is a subsidiary of a company listed on the New York Stock Exchange, principally engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region, Europe, Asia and Australia. Based on the latest annual report of this listed company, its revenue amounted to over US\$22.1 billion for the year ended 31 December 2022.
- (6) Supplier I is a private company in Hong Kong which is engaged in rental and sales of aerial work platforms and scaffolding.
- (7) Tanda International is an associate of connected persons of our Company and Warwick Building and the Goldin Innovation Group are deemed connected persons of our Company (for further details of our continuing transactions after Listing, please refer to the section headed "Connected transactions" in this prospectus).

The five largest suppliers (not being subcontractors) of our Group during the Track Record Period are Independent Third Parties except for Tanda International which is an associate of our connected persons of our Company and Warwick Building and Goldin Innovation Group which are deemed connected persons of our Company (for further details of our continuing transactions after Listing, please refer to the section headed "Connected transactions" in this prospectus). Except as noted above, none of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers (not being subcontractors) of our Group during the Track Record Period. To the best of the knowledge, information and belief of our Directors, and except for business relationship in the usual and ordinary course of business and the relationships in relation to Tanda International, Greatec Engineering, Warwick Building and Goldin Innovation Group, our connected persons and deemed connected persons, none of our Group's suppliers (including their shareholders, directors, senior management or any of their respective associates), not being subcontractors, in each year/period during the Track Record Period, have any other past or present relationship (including, but not limited to, family, financing, employment or otherwise) with any of our Controlling Shareholders, Directors, senior management of our Group or any of their respective associates.

Reasons for subcontracting

We engage subcontractors to perform more labour intensive works such as the installation and application of the passive fire protection materials and components to enable us to control our staff costs and focus on the most crucial aspects of a passive fire protection works project, namely, (i) overall management, planning and design of the passive fire protection works; (ii) engaging and supervising subcontractors; (iii) selection and procurement of suitable materials and dealing with their suppliers of materials; and (iv) quality control for our services. According to the Industry Report, it is not uncommon for passive fire protection works contractors to further sub-contract for better resource management. Despite such delegation, we maintain control over our subcontractors and monitor the quality of the services provided. For further details, please refer to the paragraph headed “Quality control” in this section.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, we incurred subcontracting fees of approximately HK\$55.5 million, HK\$59.7 million, HK\$95.5 million and HK\$52.3 million, respectively. Please refer to the section headed “Financial information — Key factors affecting our results of operations and financial condition — Fluctuation in our costs of services” in this prospectus for the relevant sensitivity analysis.

Five largest subcontractors during the Track Record Period

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our largest subcontractor in each year/period accounted for approximately 15.7%, 6.8%, 15.8% and 22.2% of our total costs of services (excluding direct labour costs), respectively, while our five largest subcontractors in each year/period accounted for approximately 36.6%, 30.8%, 41.7% and 46.0% of our total costs of services (excluding direct labour costs), respectively. The five largest subcontractors of our Group in each year/period during the Track Record Period are Independent Third Parties. None of our Directors, their close associates, or any Shareholders who to our Directors’ knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest subcontractors of our Group in each year/period during the Track Record Period. To the best of the knowledge, information and belief of our Directors, and except for business relationship in the usual and ordinary course of business, none of our Group’s subcontractors (including their shareholders, directors, senior management or any of their respective associates) in each year/period during the Track Record Period have any other past or present relationship (including, but not limited to, family, financing, employment or otherwise) with any of our Controlling Shareholders, Directors, senior management of our Group or any of their respective associates.

BUSINESS

Set out below is a breakdown of our total transactions amounts with our five largest subcontractors in each year/period during the Track Record Period and their respective background information:

For the year ended 30 June 2020

Subcontractor	Commencement of business relationship	Type of services purchased	Credit term	Payment method	Transaction amount <i>HK\$'000</i>	As a percentage of costs of services (excluding direct labour costs) %
Subcontractor A	2017	Installation of fire resistant steel boards and frames	30 days	By cheque	15,795	15.7
Subcontractor B	2019	Installation of fire rated boards and dampers	30 days	By cheque	6,087	6.0
Subcontractor C	2009	Installation of fire rated boards and dampers	30 days	By cheque	5,661	5.6
Subcontractor D	2020	Installation of fire rated boards	30 days	By cheque	5,100	5.1
Lik Sun Engineering (HK) Limited	2019	Supply and installation of metal parts and components	30 days	By cheque	4,197	4.2
					36,840	36.6

For the year ended 30 June 2021

Subcontractor	Commencement of business relationship	Type of services purchased	Credit term	Payment method	Transaction amount <i>HK\$'000</i>	As a percentage of costs of services (excluding direct labour costs) %
Subcontractor F	2019	Supply and installation of structural steel frames	30 days	By cheque	8,246	6.8
Subcontractor A	2017	Installation of fire resistant steel boards and frames	30 days	By cheque	7,870	6.5
Subcontractor B	2019	Installation of fire rated boards and dampers	30 days	By cheque	7,500	6.2
Subcontractor C	2009	Installation of fire rated boards and dampers	30 days	By cheque	6,804	5.6
Subcontractor G	2019	Installation of fire rated boards and dampers	30 days	By cheque	6,790	5.6
					37,210	30.8

BUSINESS

For the year ended 30 June 2022

Subcontractor	Commencement of business relationship	Type of services purchased	Credit term	Payment method	Transaction amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Subcontractor F	2019	Supply and installation of structural steel frames	30 days	By cheque	26,155	15.8
Subcontractor H	2009	Application of fire resistant paints and plasters	30 days	By cheque	13,205	8.0
Subcontractor G	2019	Installation of fire rated boards and dampers	30 days	By cheque	11,554	7.0
Subcontractor D	2020	Installation of fire rated boards	30 days	By cheque	11,147	6.7
Subcontractor A	2017	Installation of fire resistant steel boards and frames	30 days	By cheque	7,004	4.2
					69,065	41.7

For the four months ended 31 October 2022

Subcontractor	Commencement of business relationship	Type of services purchased	Credit term	Payment method	Transaction amount	As a percentage of costs of services (excluding direct labour costs)
					<i>HK\$'000</i>	%
Subcontractor G	2019	Installation of fire rated boards and dampers	30 days	By cheque	20,427	22.2
Subcontractor I	2021	Supply and installation of fire rated steel duct and fire rated damper	30 days	By cheque	8,000	8.7
Subcontractor F	2019	Supply and installation of structural steel frames	30 days	By cheque	6,673	7.2
Subcontractor H	2009	Application of fire resistant paints and plasters	30 days	By cheque	3,991	4.3
Subcontractor A	2017	Installation of fire resistant steel boards and frames	30 days	By cheque	3,231	3.5
					42,321	46.0

BUSINESS

Notes:

- (1) Subcontractor A, Lik Sun Engineering (HK) Limited and Subcontractor F are all private companies in Hong Kong which are principally engaged in the provision of metal works. Based on publicly available information, during the Track Record Period, there were certain common shareholders and directors, namely, Fung Siu Man and Kwok Kam Ying (each being Independent Third Parties) among Goldin Innovation Group (a deemed connected person of our Company and one of our five largest suppliers for the year ended 30 June 2020), Lik Sun Engineering (HK) Limited and Subcontractor F. Fung Siu Man is one of the shareholders and directors of Goldin Innovation, the sole director of Dongguan Tanda, one of the shareholders and directors of Subcontractor F. Kwok Kam Ying is one of the shareholders and directors of Goldin Innovation, one of the shareholders and directors of Subcontractor F, and was a shareholder and director of Lik Sun Engineering (HK) Limited prior to the disposal of his interest and resignation as director in September 2019.
- (2) Subcontractor B, Subcontractor D, Subcontractor G and Subcontractor H are all private companies in Hong Kong which are principally engaged in the provision of installation, fitting-out and related construction works.
- (3) Subcontractor C is a sole proprietorship in Hong Kong which is mainly engaged in the provision of ceiling and fire protection works.
- (4) Subcontractor I is a private company in Hong Kong, which is principally engaged in fittings of fire dampers, ducts, air grilles, manufacturing products for air conditioning systems, and related engineering works.

BUSINESS

Indemnity Subcontractors are generally required to indemnify us against any loss, expense or claim arising from the failure to comply with the relevant subcontracting agreement or the relevant laws, rules and regulations by themselves and/or their employees.

Termination Generally, we may terminate the contracts by giving notice if the subcontractors (i) have breached the terms of the subcontract; (ii) have failed to carry out the work properly and diligently; (iii) have completely or substantially suspended the works without good cause; or (iv) are being liquidated.

Suppliers of materials

Materials to be supplied The purchase order normally sets out the description of the materials to be supplied by our suppliers, namely the brand, product code, technical specifications, size or volume, quantity, unit price and total amount.

Payment terms Our suppliers usually charge us based on the total quantity of our purchase. The credit terms offered to us generally range from payment upon delivery to 60 days from the date of invoice.

Delivery arrangement The purchased materials are generally delivered directly to the project sites and the transportation costs for the materials supplied are borne by our suppliers or us as agreed.

CONTRA CHARGE ARRANGEMENTS WITH OUR CUSTOMERS WHICH ARE ALSO OUR SUPPLIERS

Our Directors are aware that certain companies in the construction industry in Hong Kong may serve in different roles depending on the project as they provide a wide range of services to satisfy the varying needs of a construction project. During the Track Record Period, there are instances of contra charge arrangements where our customers, being contractors in the projects, may pay on our behalf for certain expenses for such projects, whereby such expenses would be deducted from their payments to us as their subcontractor in settling their contractual fees for such projects. The expenses related to certain materials, transportation and other miscellaneous expenses. During the Track Record Period, we had contra charge arrangements with our five largest customers in each year/period, specifically, Customer Group A, Customer Group C, Customer Group D, Customer Group E and Customer Group F.

BUSINESS

Set out below is a breakdown of our transactions with such major customers which also supplied services to us or otherwise involved in the contra charge arrangements during the Track Record Period:

	Year ended 30 June						Four months ended	
	2020		2021		2022		31 October 2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Customer Group A								
Revenue derived and approximate % of our total revenue	32,876	21.9	18,830	10.1	12,287	5.1	4,973	3.8
Gross profit for the revenue derived	7,369	18.3	5,027	9.2	2,932	4.7	1,279	3.7
Gross profit margin for the revenue derived (%)	22.4		26.7		23.9		25.7	
Contra charge charged and approximate % of total costs of services	5	0.0	346	0.3	2	0.0	-	-
Customer Group C								
Revenue derived and approximate % of our total revenue	19,412	12.9	13,832	7.4	16,437	6.8	2,146	1.6
Gross profit for the revenue derived	5,050	12.5	2,256	4.1	4,282	6.9	739	2.7
Gross profit margin for the revenue derived (%)	26.0		16.3		26.1		34.4	
Contra charge charged and approximate % of total costs of services	2,349	2.1	417	0.3	425	0.2	71	0.1
Customer Group D								
Revenue derived and approximate % of our total revenue	15,769	10.5	1,354	0.7	3,558	1.5	754	0.6
Gross profit for the revenue derived	5,024	12.4	557	1.0	944	1.5	205	0.6
Gross profit margin for the revenue derived (%)	31.9		41.1		26.5		27.2	
Contra charge charged and approximate % of total costs of services	-	-	-	-	3	0.0	-	-
Customer Group E								
Revenue derived and approximate % of our total revenue	15,247	10.2	30,950	16.6	17,774	7.4	5,081	3.9
Gross profit for the revenue derived	4,125	10.2	8,745	16.0	4,242	6.9	2,168	6.3
Gross profit margin for the revenue derived (%)	27.1		28.3		23.9		42.7	
Contra charge charged and approximate % of total costs of services	76	0.1	1,324	1.0	2,304	1.3	-	-
Customer Group F								
Revenue derived and approximate % of our total revenue	12,451	8.3	50,823	27.3	53,239	22.1	24,765	18.9
Gross profit for the revenue derived	4,236	10.5	19,784	36.3	11,646	18.8	6,266	18.3
Gross profit margin for the revenue derived (%)	34.2		38.9		21.9		25.3	
Contra charge charged and approximate % of total costs of services	347	0.3	229	0.2	32	0.0	432	0.4

BUSINESS

LICENCES, CERTIFICATES AND QUALIFICATIONS

Our Directors and our Hong Kong Legal Advisers confirmed that we have obtained and currently maintain all necessary licences, certificates and qualifications required for our business operations in Hong Kong. As at the Latest Practicable Date, we held the following material licences, certificates and qualifications in Hong Kong:

Licences, certificates and qualifications	Trade code and type(s) of works/trades covered	Issuing authority	Holder	Registration number	Expiry date
Registered subcontractor	01.08 Structural Steelwork	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.05 Shutters/Doors Fabrication and Installation – Fire rated door	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.07 Painting – Others (Fire Protection Paint)	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.08 Metal Work	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.10 Other Finishing Trades and Components – Others (Fire Protection Enclosure)	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered subcontractor	02.10 Other Finishing Trades and Components – Others (Fire Protection Plaster)	Construction Industry Council	Easy Smart Engineering	R000125	16 March 2026
Registered specialist trade contractor	S09 Suspended ceiling (Group 2)	Construction Industry Council	Easy Smart Engineering	C000125	16 March 2026

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Licences, certificates and qualifications	Trade code and type(s) of works/trades covered	Issuing authority	Holder	Registration number	Expiry date
Registered subcontractor	02.05 Shutters/Doors Fabrication and Installation – Fire rated door	Construction Industry Council	Easy Smart Maintenance	R011413	28 October 2024
Registered subcontractor	02.07 Painting – Others (Fire Protection Paint)	Construction Industry Council	Easy Smart Maintenance	R011413	28 October 2024
Registered subcontractor	02.10 Other Finishing Trades and Components – Others (Fire Protection Enclosure)	Construction Industry Council	Easy Smart Maintenance	R011413	28 October 2024
Registered subcontractor	02.10 Other Finishing Trades and Components – Others (Fire Protection Plaster)	Construction Industry Council	Easy Smart Maintenance	R011413	28 October 2024
Registered specialist trade contractor	S09 Suspended ceiling (Group 1)	Construction Industry Council	Easy Smart Maintenance	C011413	28 October 2024

Our executive Directors confirmed that we have not experienced any material difficulty in obtaining or renewing the required licences, certificates and qualifications for our business operations during the Track Record Period and up to the Latest Practicable Date.

As advised by our Hong Kong Legal Advisers, there was no legal impediment to the renewal of the above registrations by our Group as at the Latest Practicable Date.

Our executive Directors confirmed and our Hong Kong Legal Advisers advised that our services provided for projects during the Track Record Period involving the adoption of modular integrated construction method did not require us or our workers to obtain specific qualifications under the current applicable laws and regulations of Hong Kong.

BUSINESS

PROPERTIES

As of the Latest Practicable Date, we did not own any properties and we leased four properties in Hong Kong, three of which are leased from each of Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim, all being connected persons of our Company and the remaining one of which is leased from an Independent Third Party.

The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

Address	Landlord	Approx. size of property (sq.ft.)	Actual usage	Term	Monthly rent (HK\$)
Factory E on 7th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Mr. Dave Ng ^{Note}	3,374.9	Workshop and warehouse	1 June 2022 to 30 June 2024	36,000 (inclusive of rates, government rent and management fees)
Factory F on 7th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Mr. Johnny Ng ^{Note}	2,243.6	Workshop and warehouse	1 June 2022 to 30 June 2024	24,000 (inclusive of government rent and rates but exclusive of management fees)
Factory G on 7th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Ms. Lim ^{Note}	3,372.3	Workshop and warehouse	1 June 2022 to 30 June 2024	34,000 (inclusive of government rent but exclusive of rates and management fees)
Unit A, 10/F, Ming Tak Centre, 135-137 Tung Chau Street, Kowloon, Hong Kong	An Independent Third Party	434.4	Office	1 September 2021 to 31 August 2023	15,000 (exclusive of rates and management fee)

Note: The following are all connected persons of our Company, for further details, please refer to the section headed "Connected transactions" in this prospectus.

BUSINESS

We had no single property with a carrying amount of 15% or more of our total assets as at 31 October 2022.

On this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the Companies (Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we registered **ES** and **EASYSMART** trademarks in Hong Kong. As at the Latest Practicable Date, our Group had registered “www.easysmart.com.hk” as our domain name. Please refer to the paragraph headed “Further information about the business — 2. Intellectual property rights” in Appendix IV to this prospectus for further details of our material intellectual property rights.

As at the Latest Practicable Date, we were not aware of any material disputes or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we had not engaged in any major research and development activity.

BUSINESS

EMPLOYEES

Employees by function

As at the Latest Practicable Date, we had 59 full-time employees (including our two executive Directors but excluding our three independent non-executive Directors), all of whom are based in Hong Kong. The following table sets out a breakdown of the number of our employees by function as at the dates indicated:

Functions	As at 30 June			As at	As at
	2020	2021	2022	31 October	the Latest Practicable Date
General management	2	2	2	2	2
Project management and support	20	22	26	26	34
Quantity surveyors	8	11	10	9	9
Finance and administration	13	14	13	13	14
Total	<u>43</u>	<u>49</u>	<u>51</u>	<u>50</u>	<u>59</u>

Recruitment policy and training

We recruit employees, mainly through referrals and contacts made while undertaking projects and job postings on the internet. We use our best endeavours to attract and retain appropriate and suitable personnel to serve our Group. After recruiting, we provide safety training to our employees.

Our relationship with our employees

Our executive Directors believe that we have maintained good relationships with our employees. Save as disclosed in the paragraph headed “Litigations and potential claims” in this section, during the Track Record Period and up to the Latest Practicable Date, there had been no complaint or claims from our employees or any labour dispute which materially and adversely affected, or was likely to have a material adverse effect on our operations.

Remuneration policy

The remuneration payable by our Group to our employees includes basic salary, benefits and discretionary bonus. Our Group also makes contributions to the MPF scheme for our qualified employees in Hong Kong. Our staff costs for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 were approximately HK\$12.5 million, HK\$14.7 million, HK\$17.3 million and HK\$6.1 million, respectively.

Safeguards against potential conflict of interest situations involving our employees

Our Directors believe that in certain limited circumstances, it may be acceptable for employees to be engaged in other businesses subject to (i) sufficient disclosure to our Group to allow us to properly assess the circumstances and consider if sufficient measures are in place to protect our interests; (ii) such situations do not interfere with the employees' performance of their duties or otherwise harm our business; and (iii) the employees observe their obligations to keep information received confidential and not misuse such information. Accordingly, we have not imposed a strict prohibition but instead adopted various practices and measures to identify and deal with the potential conflicts of interest based on the above requirements. To the best of the knowledge, information and belief of our Directors, none of our employees as at the Latest Practicable Date are engaged in businesses that directly competed with our Group's business.

We have adopted various measures in practice to safeguard us in such potential conflict of interest situations. For example, to ensure the terms for the purchase of materials offered by the related party suppliers are fair, during the Track Record Period, we obtained quotations from one to two other Independent Third Parties and compared the terms of the quotations from them with the terms of the quotation from the related party supplier.

We have also adopted the following additional measures to identify and deal with the potential conflict of interest situations as described above:

- (i) we have adopted an internal control manual which provides our employees with various information including our position on such conflicts of interests situations and reminding them of their duties (a) to disclose such situations to us; (b) not to provide confidential or insider information to anyone outside our Group without proper authorisation; and (c) to avoid participating in any external activities and transactions that could interfere with the performance of their duties and responsibilities, affect their independent and objective judgment, or discredit or divert business opportunities away from our Group without the prior consent of management;
- (ii) we have revised the form of our employment contract with employees, which now includes provisions (a) prohibiting an employee from having an interest that will harm the employer's business; (b) requiring the employee to declare his/her interests in companies, especially those with businesses that might cause conflicts of interest; and (c) stating that in case of the existence of such conflict of interest, the employee must remove himself/herself away from that situation;
- (iii) we conduct background checks (e.g. obtaining business registration and annual return) on new customers and suppliers, which will further help in identifying potential conflict of interest situations;

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- (iv) we require our employees to sign an annual declaration of interests confirming: (a) details of any actual or potential conflicts of interests including relevant persons/companies which they have private dealings or interests and such employees' relationship with them; and (b) that except for employment with our Group, they were not engaged in any other business except as disclosed in the declaration;
- (v) based on our Group's records of actual or potential conflicts of interests identified from the above, the management of our Group will assess the circumstances and consider whether to grant approval for the employee to be involved in the project. In such assessments, interested members of our management will abstain from the approval process and the remaining members of our management will consider: (a) the job duties of the conflicted staff; (b) the nature and extent of the conflict; (c) whether the conflict will affect the relevant staff's ability to discharge his/her duties or if the conflict will otherwise be contrary to the best interests of our Group; (d) the severity of the harm that could result from the conflict; (e) whether there are measures adopted or which could be reasonably adopted to resolve or mitigate the conflict; (f) whether to grant approval and if so, whether conditions should be imposed; and (g) whether any follow-up actions should be taken. In considering the measures which could be adopted to resolve or mitigate the conflict, our management will also seek the views of the conflicted staff to explore reasonable solutions such as the possibility of divestment/termination of the conflicting interests or the reassignment of the staff to other positions in our Group where the harm is mitigated;
- (vi) if our Group intends to enter into a transaction in respect of any contract, arrangement, or proposal in which any of our Directors or his respective close associates has/have a material interest, the interested Director(s) shall abstain from voting at the relevant meetings of our Board in respect of such transactions and shall not be counted in the quorum; and
- (vii) if our employees fail to declare their conflicts of interests properly or mislead or deceive our Group in relation to their independence, our management will consider appropriate disciplinary actions (including issuing warning letter or employment termination).

OCCUPATIONAL HEALTH AND SAFETY

Our current occupational health and safety standards system

We generally work with other safety supervisors and the main contractors on site to ensure the satisfaction of safety requirements and systems established by our customers or main contractor. However, we have adopted an occupational health and safety standards system ourselves which is monitored by our project managers and site foremen on site and we continuously seek to improve our system to protect our employees and our subcontractors' employees during the course of work. Our current occupational health and safety standards system includes the following major features:

- **Safety training:** As typically required by our main contractors, a mandatory safety training course must be taken by every construction site worker in order to obtain a valid certificate (also known as "green card") before he/she is allowed to enter a construction site. We also require our workers to undergo safety training to keep themselves aware of best safety practices.
- **Provision of safety equipment:** We provide our workers with suitable safety equipment such as gloves, helmets, protective shields over the face and goggles.
- **Safety inspection and suitable warnings:** Our project managers and site foremen will conduct regular inspections on site to ensure compliance with our safety management system. We keep our workers and the workers of our subcontractors well informed of potential risks on site and of proper safety procedures through method statements for projects and safety policies provided to such workers and warning signs on site. All workers on site, including subcontractors' workers, are required to follow the general safety rules adopted by our Group and those by main contractors which are communicated to the workers.
- **COVID-19 mitigation measures:** In response to COVID-19, we have adopted a number of additional mitigation measures including: (i) requiring staff and workers to wear surgical masks both at the office and work sites; (ii) conducting mandatory body temperature checks before entering work sites; (iii) providing hand sanitiser for our office employees; (iv) requesting staff and workers to maintain personal hygiene and those with respiratory symptoms to refrain from working and to seek medical treatment promptly; (v) placing health information on COVID-19 prominently at work sites; and (vi) if any staff or workers are requested by the Department of Health of Hong Kong to be quarantined or have been confirmed to have contracted COVID-19, their respective department or project management team will be instructed to keep such occurrence on record. Any other staff or workers with close contact with such staff or workers shall also be informed.

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Accidents during the Track Record Period

During the Track Record Period and up to the Latest Practicable Date, we recorded six accidents and none of them were fatal accidents.

The nature of the six accidents that occurred during the Track Record Period and up to the Latest Practicable Date and the nature of the injuries purportedly suffered by the injured are as follows:

<u>Nature of accident</u>	<u>Number of accident</u>	<u>Nature of purported injury</u>	<u>Number of purported injury</u>
Contact with flying object	1	Left ear drum perforation resulting in left ear hearing loss and tinnitus	1
Lost balance and fell	1	Right knee and patella fracture resulting in right knee pain, numbness, stiffness and weakness	1
Hit	1	Left ankle fracture	1
Slip, trip and fell	2	Back contusion Le fort fracture (level 1 facial fracture)	1 1
Contact with substance	1	Left eye injury	1
Total	<u>6</u>	Total	<u>6</u>

Further, during the Track Record Period and up to the Latest Practicable Date, we have a litigation that is ongoing and certain potential claims relating to such accidents as detailed in the paragraph headed "Litigations and potential claims" in this section.

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Analysis of accident rate and lost time injuries frequency rate

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers between our Group and the industry average in the construction industry in Hong Kong for the years/period indicated:

	Industry average <small>Note 1</small>	Our Group <small>Notes 2&3</small>
From 1 January to 31 December 2019		
Accident rate per 1,000 workers	29.0	0.32
Fatality rate per 1,000 workers	0.157	Nil
From 1 January to 31 December 2020		
Accident rate per 1,000 workers	26.1	0.27
Fatality rate per 1,000 workers	0.185	Nil
From 1 January to 31 December 2021		
Accident rate per 1,000 workers	29.5	0.64
Fatality rate per 1,000 workers	0.218	Nil
From 1 January 2022 to 31 October 2022		
Accident rate per 1,000 workers	N/A <small>Note 4</small>	0.45
Fatality rate per 1,000 workers	N/A <small>Note 4</small>	Nil

Notes:

- The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.22 (August 2022) published by Occupational Safety and Health Branch of the Labour Department.
- Our Group's accident rate is calculated as the number of industrial accidents during the year/period divided by the daily average of the construction site workers in our Group's projects during the year/period. Our Group's fatality rate is calculated as the number of fatal accident(s) during the year/period divided by the daily average of the construction site workers in our Group's project during the year/period.
- The above data provided includes the employees of our Group and workers of subcontractors during the year/period indicated. For the avoidance of doubt, the above table does not include accidents (if any) which occurred after 31 October 2022 and up to the Latest Practicable Date.
- The relevant data had not been published as at the Latest Practicable Date.

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The following table sets forth a comparison of the lost time injuries frequency rate (“LTIFR”)^{Note 1} between our Group and the industry average in the construction industry in Hong Kong for the years/period indicated:

	Industry average <i>Note 2</i>	Our Group <i>Note 3</i>
For the year ended 31 December 2019	10.38	5.16
For the year ended 31 December 2020	9.34	4.43
For the year ended 31 December 2021	10.57	10.39
For the ten months ended 31 October 2022	N/A <i>Note 2</i>	7.31

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries of our Group that occurred during the relevant year by 1,000,000 divided by the number of hours worked by site workers over the same year. It is assumed that the working hour of each worker is 9 hours per day.
2. The industry rate according to the Industry Report was calculated based on the formula referred to in Note 1 and using statistics on the number of industrial accidents and workers in the construction industry from the Labour Department and the Housing Authority. Given that the relevant 2022 data had not been published as at the Latest Practicable Date, the LTIFR for the industry for the ten months ended 31 October 2022 is unavailable.
3. Our Group’s LTIFR includes the employees of our Group and workers of subcontractors during the years/period indicated. For the avoidance of doubt, the above table does not include accident(s) (if any) which occurred after 31 October 2022 and up to the Latest Practicable Date.

Analysis of our occupational health and safety management system

Having considered that:

- (i) our Group has adopted an occupational health and safety standards system and our staff also works with other safety supervisors and the main contractors on site to ensure the satisfaction of safety requirements and systems established by our customers or main contractors;
- (ii) our workers are provided with safety training, safety equipment and suitable warning as mentioned in the above sub-paragraph headed “Our current occupational health and safety standards system” in this section;
- (iii) our project managers and site foremen will conduct regular inspections on site to ensure compliance with our safety management system and as at the Latest Practicable Date, six of them either held a certificate in safety and health for supervisors (construction) issued by the Occupational Safety and Health Council or completed a construction safety supervisor course by the Construction Industry Council;

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- (iv) based on our Group's records, the six accidents during the Track Record Period and up to the Latest Practicable Date (a) were all non-fatal accidents; and (b) were primarily attributable to workers' inattention to the warnings provided, workers' carelessness or otherwise they failed to comply with the general safety rules adopted by our Group and those by main contractors which have been communicated to such workers;
- (v) according to the Industry Report, accidents are not uncommon in the construction industry in Hong Kong and based on the industry average accident rates and LTIFR in the above sub-paragraph headed "Analysis of accident rate and lost time injuries frequency rate" in this section, our Group's accident rates and LTIFR were lower in comparison, particularly in regards to accidents rates where our Group's was significantly lower than the industry average;
- (vi) except for one improvement notice in June 2020 issued by the Labour Department against Easy Smart Engineering in respect of failure to ensure a worker used the effective screens provided at a work site where particles of material or dust were likely to enter or damage the eyes in contravention of the Construction Sites (Safety) Regulations, our executive Directors confirmed that our Group has not received any other improvement notices and/or suspension notices relating to safety conditions at work sites during the Track Record Period and up to the Latest Practicable Date; and
- (vii) save as disclosed above, during the Track Record Period, our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal or suspension of our registration as a registered subcontractor and a registered specialist trade contractor under the Registered Specialist Trade Contractors Scheme maintained by the Construction Industry Council due to accidents or breaches of workplace safety regulations,

our Directors are of the view, and the Sole Sponsor concurs, that our Group's existing occupational health and safety management system of our Group is adequate and effective and in compliance with relevant regulatory requirements concerning health and safety.

Impact of COVID-19

An outbreak of COVID-19 was first reported in December 2019 and affected Hong Kong as well as many countries around the world. In 2022, Hong Kong recorded the fifth wave of the outbreak of COVID-19 attributable to the Omicron variant (the “**Fifth Wave Outbreak**”). However, the impact of COVID-19 in Hong Kong has weakened as at the Latest Practicable Date as compared to the peaks of the outbreak mainly due to the development of several vaccines.

Impact on relevant industry and outlook

The COVID-19 pandemic has created a series of challenges and opportunities for the passive fire protection works industry. In response to the Fifth Wave Outbreak, a series of enhanced quarantine and other measures were adopted by the HK Government and other governments. As a result of such measures, there were temporary disruptions and partial suspension of the supply of construction materials from the PRC to Hong Kong from March 2022 to May 2022 which contributed to the slowdown in the progress of certain construction projects in Hong Kong according to the Industry Report. During this period, ongoing passive fire protection works projects continued to progress in general, but the contractors may experience shortages or disruptions in the supply of passive fire protection materials, such as fire rated boards, fire rated doors and fire resistant paints, coating and plasters. According to the Industry Report, the price of certain passive fire protection materials surged from March 2022 to May 2022 and the prices have returned to the normal level. Furthermore, some of the passive fire protection works in the construction sites have been held up or delayed for one to two months during that period and the delivery timeline was affected in June 2022 and July 2022. In view of the shortage or disruptions of construction materials supply during the Fifth Wave Outbreak, passive fire protection services providers tended to increase their inventory in the construction sites to ensure the sufficiency of the supply of construction materials and mitigate the impact.

However, the COVID-19 pandemic has created business opportunities for the passive fire protection works market as well due to the demand for the urgent construction of quarantine facilities and other types of isolation and treatment facilities according to the Industry Report. For example, in response to the Fifth Wave Outbreak, the HK Government has sought to increase the number of community isolation and treatment facilities in Hong Kong. Thus, the HK Government has introduced relevant construction works including makeshift hospitals that provide additional spaces and resources in implementing quarantine measures including sizeable temporary construction works involving an 80,000 square-meter facility in Kai Tak, 60,000 square-meter facility in Tsing Yi, 28,400 square-meter Lok Ma Chau Loop makeshift COVID-19 treatment facility to serve as a temporary impetus to the construction industry in Hong Kong, including passive fire protection works involved in these sizable facilities according to the Industry Report.

According to the Industry Report, the overall passive fire protection works industry in Hong Kong has been growing steadily primarily due to the sustainable development of the construction industry, stringent requirements for fire safety construction and the

rollout of Mandatory Urban Renewal Program by the HK Government, prompting demand for installation and refurbishment of passive fire protection systems. The effect of COVID-19 on the passive fire protection works market is expected to be short term and limited. This market is set to gradually regain its momentum in the long run due to (i) the regular renovation of passive fire protection system in residential, commercial and industrial buildings being stable in nature; and (ii) a stable pipeline of construction projects in the residential, commercial and industrial sectors, especially the planned production of public residential units and surrounding auxiliary facilities. The market size of the passive fire protection works industry is expected to reach approximately HK\$1,247.4 million in 2026, representing a CAGR of approximately 6.1% from 2022 to 2026. Based on the above, the total number of construction and development projects launched or available for tendering in the passive fire protection works market in Hong Kong is expected to be largely unaffected by the COVID-19 pandemic according to the Industry Report.

Impact on our business operations

Our executive Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there were no project cancellations due to the COVID-19 outbreak and our Group did not experience any significant delays or suspensions in our projects due to the COVID-19 outbreak which resulted in a material adverse effect on the business or financial condition of our Group. Instead, our customers have shown continued interest in our passive fire protection solutions as reflected in our increasing revenue during the Track Record Period. We also gained new business opportunities arising from the pandemic such as undertaking projects in relation to quarantine facilities in Hong Kong which are some of our major projects during the Track Record Period (for further details, please refer to the paragraph headed “Our projects — Major projects completed during the Track Record Period and up to the Latest Practicable Date” in this section).

Due to the resurgence of the COVID-19 pandemic in the PRC in early 2022, lockdown measures were imposed in various parts of the PRC, Shanghai in particular, leading to a temporary disruption in the supply of raw materials from the PRC. We experienced a temporary delay from around April 2022 to May 2022 in the deliveries by certain suppliers with operations in or sourcing from the PRC for certain passive fire protection materials and metal parts and components. Our executive Directors consider that the temporary disruption to the supply of the aforesaid raw materials did not have long-lasting material adverse impact on our operation taking into consideration that to the best of their knowledge, information and belief (i) the impact was limited to Projects 5161, 5015, 4876 and 4686; (ii) the supply of affected raw materials has begun to return to normal levels since June 2022 and our Group did not experience further disruption in the supply of such materials since then and up to the Latest Practicable Date; (iii) for the four projects which were affected by the disruption in the supply of such materials, our Company engaged logistic services providers to assist with the cross-border transportation of materials to minimise the impact of such disruption on the progress of our works for such projects when considered necessary; (iv) our customers for the four affected projects did not allege that we breached our contracts due to such disruptions in supply and we were not subject to liabilities nor did we pay any liquidated damages to

our customers as a result of such disruptions in supply to the affected projects; and (v) as confirmed by our Company, there is no delay in the overall schedule for these four projects as we were able to catch up to the schedule up to the Latest Practicable Date, and accordingly, our executive Directors are of the view that the risk that our customers for these projects will claim against our Group for the delay in such projects due to the aforesaid disruptions is remote.

Considering that (i) we undertook a variety of projects other than hotel related projects during the Track Record Period and as disclosed in the paragraph headed “Our projects — Types of projects” in this section; (ii) one of our top 20 completed projects during the Track Record Period and up to the Latest Practicable Date in terms of the revenue contribution during the Track Record Period was a hotel related project with an original contract sum of approximately HK\$13.5 million; (iii) none of our projects in progress as at the Latest Practicable Date was a hotel related project; and (iv) despite the above, we are still tendering for hotel related contracts during the COVID-19 pandemic and had two hotel related contracts which are still undergoing the tender selection process and pending tender result up to the Latest Practicable Date with an aggregate tender amount of approximately HK\$0.1 million, our executive Directors are of the view that the impact of the COVID-19 pandemic on hotel related projects did not result in a material adverse effect on the business or financial condition of our Group.

In order to protect our employees and minimise the potential risks of COVID-19, we have adopted a number of measures as detailed in the sub-paragraph headed “Our current occupational health and safety standards system” in this section above.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors, although some of our employees had been confirmed as having contracted COVID-19 during the Track Record Period, taking into account (i) the relatively mild and short term symptoms in such confirmed cases involving our staff; (ii) the mitigation measures adopted by us including requiring additional shifts or over-time work by staff when necessary; and (iii) we maintain relationships with multiple subcontractors to avoid over-reliance on any individual subcontractor and thus we were able to engage additional subcontractors when additional labour was required and the workers of one subcontractor was insufficient, there was no material disruption to the daily administration and operation of our Group as a result of COVID-19.

To the best of the knowledge, information and belief of our Directors, subsequent to the Track Record Period and up to the Latest Practicable Date, our Group had not received any notice from: (i) our major customers terminating our existing projects with them; or (ii) our major suppliers terminating our existing contracts with them for their provision of passive fire protection materials or services.

Our current financial condition

Our bank balances and cash as at 28 February 2023 was approximately HK\$38.6 million. We will closely monitor the development of COVID-19 and promptly implement necessary measures to minimise any adverse effect on our financial condition and results. Taking into account the above and the current bank balances and cash, we believe the outbreak of COVID-19 does not have a significant adverse impact on our continuing business operation.

INVENTORY

We generally did not maintain any inventories during the Track Record Period as materials are purchased and consumed on a project-by-project basis as needed and are delivered to our project sites by our suppliers to meet estimated demand.

INSURANCE

Our executive Directors believe that our current insurance policies are adequate and the coverage of the insurance policies is consistent with industry norm considering our current operations and the prevailing industry practice. We have purchased or are covered by the following types of insurance:

Contractors' all risk insurance and other insurance purchased by others

During the Track Record Period, we served as a subcontractor in projects and typically our customers or the relevant main contractors for such projects were responsible for purchasing the contractors' all risk insurance, employees' compensation insurance and third party liability insurance policies covering the liabilities of our Group and that of our subcontractors arising out of the performance of the subcontracted works.

Our employees' compensation insurance

We maintain insurance coverage for our liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage of HK\$100 million on a per incident basis. We consider such insurance coverage generally sufficient for our liabilities under employees' compensation claims and personal injuries actions.

Our other insurance coverage

Our Group has also maintained medical insurance and motor insurance for our vehicles.

Uninsured risks

However, we have certain uninsured risks which are not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. For further details, please refer to the section headed "Risk factors — Risks relating to our business — Our insurance coverage may not adequately cover potential liabilities" in this prospectus.

LITIGATIONS AND POTENTIAL CLAIMS

As at the Latest Practicable Date and save as disclosed below, no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to our executive Directors to be pending or threatened against any member of our Group.

Potential claims

As disclosed in the paragraph headed “Accidents during the Track Record Period” in this section, we recorded six accidents during the Track Record Period and up to the Latest Practicable Date. These accidents will give rise to four potential common law personal injuries claim from four workers, including a worker (“**Worker B**”) as referred to in the paragraph headed “Litigation” of this section below and three potential employees’ compensation claims who were purportedly injured in September 2021, November 2021 and August 2022. The limitation periods for the injured to commence such claims have not expired.

Potential claims refer to those claims that have not been commenced against our Group but are within the limitation of two years (for employees’ compensation applications) or three years (for common law personal injuries actions) from the date of the relevant incident pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As such court proceedings have not been commenced, we are not in the position to assess the likely quantum of such potential claims. The potential applications and actions involve workers of our Group. Our Directors take the view that the amount of such potential claims to be borne by our Group in the proceedings shall be handled by the relevant main contractors or shall be covered by the relevant insurance policy of the main contractors. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group’s business. We confirm that our main contractors have insurance to sufficiently cover our liabilities of all these potential claims and such potential claims have no material adverse impact on our financial condition or on the ability of our Group to obtain or renew any registration for our operation.

Our Directors are of the view that occurrence of employees’ compensation applications and common law personal injuries actions is not uncommon in the industry. None of our Directors has been involved in our Group’s material litigation rendering him or her unable to comply with Rules 3.08 and 3.09 of the Listing Rules.

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Litigations

Set out below is the ongoing litigation against our Group as at the Latest Practicable Date:

Employees' compensation claims

Nature of claim	Date of claim	Applicant/ Plaintiff	Respondent/ Defendant	Circumstances and reasons of claim	Status of claim
1. Employees' compensation claim	4 April 2022	Worker A	Easy Smart Engineering as one of the respondents	it was alleged that an object was splashed into Worker A's ear while welding was conducted on about 8 April 2020. As a result, he purportedly suffered injuries to his left ear.	<p>The employees' compensation claim of Worker A is now in the discovery stage and the employees' compensation claim of Worker B is now in its pleadings stage.</p> <p>The amounts of claim from Worker A and Worker B are not stated in the court documents and we have not been served with the documents containing information on the amounts of claim from Worker A and Worker B. The amounts are to be assessed by the court and are unknown as at the Latest Practicable Date.</p>
2. Employees' compensation claim	24 March 2023	Worker B	Easy Smart Engineering as one of the respondents	It was alleged that the applicant slipped and fell on about 29 September 2022. As a result, he purportedly suffered le fort fracture.	Besides, as the time limit for Worker B to commence a common law personal injuries claim against Easy Smart Engineering has not expired under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), it is probable that Worker B may commence a common law personal injuries action against Easy Smart Engineering before the time for the claim is barred. For details, please refer to the paragraph headed "Potential claims" in this section above.
3. Common law personal injuries claim	30 March 2023	Worker A	Easy Smart Engineering as one of the defendants	It was alleged that, on 8 April 2020, an object was splashed into Worker A's ear while welding was conducted. As a result, Worker A purportedly suffered injuries to his left hear	The common law personal injuries claim of Worker A is now at pleadings stage.

Views of our executive Directors on ongoing litigation

In respect of the above ongoing employees' compensation claims and the common law personal injuries claim, the relevant main contractor is required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong which meets the statutory minimum insurance coverage of HK\$200 million for each accident. The ongoing claims are being dealt with and handled by the relevant main contractors, their insurers and their appointed solicitors. Therefore, our executive Directors are of the view that the amounts claimed by the applicants/plaintiff in the ongoing claims are expected to be covered by the relevant insurance policy maintained by our main contractors and that the ongoing claims will not have any material impact on our Group, so no provision has to be made to cover our potential liability under the above ongoing claims.

NON-COMPLIANCE

Our Directors confirmed that save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature.

Non-compliance with the IRO

During the Track Record Period, we have certain non-compliance incidents of failing to file our profits tax returns within the stipulated time limit contrary to Section 51(1) of the IRO and failing to inform the IRD for its chargeability to profits tax within the stipulated time limit contrary to Section 51(2) of the IRO.

These non-compliance incidents were unintentional and not willful and were mainly due to the historical circumstances at the relevant time as detailed in the sub-paragraph headed "Views of our Directors and the Sole Sponsor" below.

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Set out below are our non-compliances with the IRO including during the Track Record Period and up to the Latest Practicable Date:

1. *Late filing of profits tax returns*

Non-compliance incident	Legal consequences and potential maximum penalties	Remedial actions	Actual/estimated penalty
<p>1. Easy Smart Engineering failed to file its profits tax returns for the year of assessment of 2020/21 within the stipulated time limit (i.e. file on or before 31 May 2021), contrary to Section 51(1) of the IRO.</p>	<p>Under Section 80(2)(d) of the IRO, Easy Smart Engineering may be liable for a maximum penalty of a fine of HK\$10,000 and a further fine of treble of the undercharged tax for its failure to comply with the notice to furnish the profits tax return without reasonable excuse.</p> <p>If no prosecution under Section 80(2)(d) of the IRO is instituted, Easy Smart Engineering may be liable to an additional tax assessed by the Commissioner of the Inland Revenue of an amount not exceeding treble the undercharged tax under Section 82A(1)(d) of the IRO.</p> <p>Our Directors estimate the profits tax payable by Easy Smart Engineering for the year of assessment 2020/21 will be approximately HK\$5.1 million. Our Legal Counsel is of the view that the maximum additional tax under Section 82A of the IRO for Easy Smart Engineering is approximately HK\$15.4 million.</p>	<p>We have engaged a tax representative to provide assistance to us in relation to tax reporting matters. Our tax representative furnished the relevant profits tax return of Easy Smart Engineering to the IRD in October 2021. We have also delegated Mr. Pang Yuk, our new financial controller, to handle and oversee the book keeping and financial reporting of our Group. For further information of Mr. Pang Yuk, please refer to the section headed “Directors and senior management — Senior management” in this prospectus.</p>	<p>We understand, after consultation with an internationally recognised and reputable accounting firm which was appointed as Easy Smart Maintenance’s tax representative in September 2021 (the “Refiling Tax Representative”), that the IRD will generally deal with the late filing administratively pursuant to the penalty policy of the IRD by the imposition of monetary penalties.</p> <p>Our Group estimated the likely additional tax penalty to be approximately HK\$0.5 million and made full provision of such amount in its financial statements accordingly.</p> <p>According to a letter from the IRD on 13 January 2022, no prosecution would be taken by the IRD for the delay if Easy Smart Engineering agreed to the payment of a compound penalty of approximately HK\$0.4 million to the IRD under Section 80(5) of the IRO. Easy Smart Engineering accepted the penalty by a submission on 24 January 2022 and paid the compound penalty.</p> <p>Our Legal Counsel is of the view that by accepting the penalty and payment of the compound penalty, Easy Smart Engineering will not be further prosecuted, nor will further penalty be imposed.</p>

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Non-compliance incident	Legal consequences and potential maximum penalties	Remedial actions	Actual/estimated penalty
<p>2. Easy Smart Engineering and Easy Smart Maintenance failed to file their respective profits tax returns for the year of assessment of 2018/19 within the stipulated time limit (i.e. file on or before 2 May 2019), contrary to Section 51(1) of the IRO.</p>	<p>Under Section 80(2)(d) of the IRO, Easy Smart Engineering and Easy Smart Maintenance may be liable for a maximum penalty of a fine of HK\$10,000 and a further fine of treble of the undercharged tax (if any) for each of their failure to comply with the notice to furnish the profits tax return without reasonable excuse.</p> <p>If no prosecution under Section 80(2)(d) of the IRO is instituted, Easy Smart Engineering and Easy Smart Maintenance may be respectively liable for an additional tax to be assessed by the Commissioner of the Inland Revenue of an amount not exceeding treble the undercharged tax under Section 82A of the IRO.</p>	<p>The relevant profits tax returns of Easy Smart Engineering and Easy Smart Maintenance have been filed in June 2019 and May 2019, respectively. For the year of assessment 2018/19, Easy Smart Engineering proactively purchased a tax reserve certificate of approximately HK\$2.1 million in September 2019 for the potential tax payable prior to the issuance of the relevant notice of assessment, demonstrating that our Group has no intention to evade tax or delay tax payment. The IRD subsequently issued a Notice of Assessment for 2018/19 to Easy Smart Engineering in December 2019 and tax payable demanded had been fully settled with the said tax reserve certificate. As for Easy Smart Maintenance, Easy Smart Maintenance was in a tax loss position for the year of assessment of 2018/19 according to the statement of loss issued by the IRD in December 2019 thus there was no tax payable for the year of assessment of 2018/19.</p>	<p>According to a letter from the IRD on 1 November 2019, no prosecution would be taken by the IRD for the delay if Easy Smart Engineering agreed by paying a compound penalty of HK\$3,000 to the IRD under Section 80(5) of the IRO. Easy Smart Engineering accepted the penalty on 11 November 2019.</p> <p>By accepting the penalty under Section 80(5) of the IRO, Easy Smart Engineering paid the compound penalty of HK\$3,000.</p> <p>Our Legal Counsel opined that by accepting the penalty and the payment of the compound penalty of HK\$3,000 by Easy Smart Engineering, Easy Smart Engineering will not be further prosecuted, nor will further penalty be imposed.</p> <p>As for Easy Smart Maintenance, we were advised by our Legal Counsel that the chance of the IRD issuing an offer for compound penalty under Section 80(5) of the IRO was on the low side given there was no tax payable by Easy Smart Maintenance for the year of assessment of 2018/19. Even if the IRD charged Easy Smart Maintenance for the late filing of the profits tax returns for the year of assessment of 2018/19, the penalty is estimated to be HK\$3,000.</p>

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2. Failure to inform IRD for profits tax chargeable

Non-compliance incident	Legal consequences and potential maximum penalties	Remedial actions	Actual/estimated penalty
<p>1. Easy Smart Maintenance failed to inform the IRD that it was chargeable to profits tax for the years of assessment of 2018/19, 2019/20 and 2020/21 no later than four months after the end of each basis period of respective year of assessment (i.e. inform the IRD on or before 31 December 2018, 31 October 2019 and 31 October 2020, respectively).</p>	<p>Under Section 80(2)(e) of the IRO, Easy Smart Maintenance may be liable for a maximum penalty of a fine of HK\$10,000 and a further fine of treble of the undercharged tax (if any) for its failure to inform the IRD without reasonable excuse for its chargeability to tax.</p> <p>If no prosecution under Section 80(2)(e) of the IRO is instituted, Easy Smart Maintenance may be liable to be assessed to additional tax assessed by the Commissioner of the Inland Revenue of an amount not exceeding treble the undercharged tax under Section 82A(1)(e) of the IRO.</p> <p>Our Directors, after consultation with the Refiling Tax Representative, that there was no undercharged tax for the year of assessment of 2018/19, whereas, the estimated final tax payable for the years of assessment 2019/20 and 2020/21 are approximately HK\$0.4 million and HK\$0.5 million. Hence, for the failure of Easy Smart Maintenance to inform chargeability for the year of assessment of 2018/19, the maximum penalty will be HK\$10,000, whereas, for the years of assessment of 2019/20 and 2020/21, the maximum penalty will be approximately HK\$1.1 million and HK\$1.4 million respectively.</p>	<p>Easy Smart Maintenance recorded an assessable profit for the year ended 30 June 2019 (i.e. year of assessment 2019/20), but no profit tax return was issued by the IRD because Easy Smart Maintenance reported an assessable loss for the year of assessment 2018/19.^{Note} Easy Smart Maintenance should have notified its tax chargeability for the year of assessment 2019/20 to the IRD on or before 31 October 2019, but it failed to do so and thus no profits tax return for the year of assessment 2019/20 was received from the IRD. Our tax representative therefore submitted a letter to the IRD and asked for the issuance of the profits tax return for the year of assessment 2019/20 of Easy Smart Maintenance in May 2020.</p> <p>Despite our said letter to the IRD, no profits tax return for the year of assessment 2019/20 of Easy Smart Maintenance was received. Subsequently, after our new financial controller, Mr. Pang Yuk, joined our Group in July 2021 and in the course of his duties to handle and oversee the bookkeeping and financial reporting of our Group including the review of historical financial information of Easy Smart Maintenance for the ten months ended 30 June 2019, certain prior year adjustments were identified by him. Our Group then decided to appoint the Refiling Tax Representative to assist us with handling the tax refiling due to the aforesaid prior year adjustments. We engaged the Refiling Tax Representative and appointed it as Easy Smart Maintenance's tax representative on a short term basis in September 2021. After consultation with the Refiling Tax Representative, Easy Smart Maintenance informed the IRD of the tax chargeability for the years of assessments 2019/20 and 2020/21 based on the requirements of the IRO. Hence, Easy Smart Maintenance informed the IRD that it was chargeable to tax for the years of assessments 2019/20 and 2020/21 in October 2021. For further information of Mr. Pang Yuk, please refer to the section headed "Directors and senior management — Senior management" in this prospectus.</p>	<p>As there was no undercharged tax for the year of assessment of 2018/19, our Legal Counsel is of the view that the maximum penalty for the non-compliance of Easy Smart Maintenance for failure to inform the tax chargeability for the year of assessment of 2018/19 will be HK\$10,000. However, we were advised that the chance of the IRD to impose the maximum penalty is on the low side.</p> <p>As for the non-compliance for the years of assessments of 2019/20 and 2020/21, our Legal Counsel is of the view that the potential additional tax penalty is estimated to be 10% of the amount of tax undercharged under group (j) of the penalty loading scale for first offence of the penalty policy of the IRD, i.e. HK\$37,000 and HK\$48,000 based on the then estimated final tax payable of approximately HK\$0.4 million for the year of assessment 2019/20 and approximately HK\$0.5 million for the year of assessment 2020/21, respectively. Our Group has fully provided for the estimated aggregate penalty of HK\$85,000 in its financial statements for the year ended 30 June 2021 accordingly.</p> <p>Subsequently, the profits tax returns of Easy Smart Maintenance for the years of assessment of 2019/20 and 2020/21 were received and submitted in January 2022 and April 2022, respectively. The notice of tax assessment of Easy Smart Maintenance for the year of assessment 2019/20 was received in March 2022 without any additional penalty and the tax payable thereunder was paid in April 2022. The notice of tax assessment of Easy Smart Maintenance for the year of assessment 2020/21 was issued in November 2022 without any additional penalty and the tax payable thereunder was paid in December 2022. During the four months ended 31 October 2022, our management made an enquiry with the tax officer of IRD and understands that there was no other tax penalty owed by us and thus, the over-provision of tax penalty was reversed.</p> <p>To the best of our executive Directors' knowledge, information and belief, having considered the communications between the IRD and our Group as well as advice from the Legal Counsel, the likelihood of penalty to be imposed by the IRD for such non-compliance of Easy Smart Maintenance for these three years of assessment 2018/19, 2019/20 and 2020/21 is on the low side.</p>

Note: As detailed in the section headed "Financial information — Tax refiling of Easy Smart Maintenance for the year of assessment 2018/19" in this prospectus, profits tax return and computation of Easy Smart Maintenance for the year ended 31 August 2018 (i.e. year of assessment 2018/19) were prepared and submitted to the IRD based on the financial statements audited by its former statutory auditor and Easy Smart Maintenance previously reported an assessable loss. After certain prior year adjustments were identified, Easy Smart Maintenance recorded a profit for the year ended 31 August 2018 but with no tax payable on such profit after taking into account, among others, the tax loss brought forward from the previous year of assessment and relevant one-off tax reduction.

Corporate governance and internal control measures to ensure ongoing compliance

As certain prior year adjustments for the audited financial statements of Easy Smart Maintenance for the year of assessment 2018/19 were also identified, our Group has adopted certain internal control measures to prevent recurrence of the similar tax incident, and that such measures would also be applicable to ensure the future compliances with filing profits tax returns as well as notifying the IRD for profits tax chargeability of our Group. For details of the enhanced internal control measures and the reasons why such enhanced internal control measures are adequate and effective to address the tax compliance incidents, please refer to the section headed “Financial information — Tax re-filing of Easy Smart Maintenance for year of assessment 2018/19 — Enhanced internal control measures adopted to prevent recurrence” in this prospectus.

Views of our Directors and the Sole Sponsor

Having considered the nature and reasons for the historical non-compliance incidents, the preventative and remedial actions taken by our executive Directors, the remedial actions taken by us and the above views of the Internal Control Consultant and the Legal Counsel, and other factors in particular, the following:

Circumstances leading to the non-compliance incidents

- (i) during the Track Record Period, we engaged qualified statutory auditors to finalise our audited financial statements which could be then used for preparing our tax filings (including notification of profits tax chargeable), informed them of the necessity of the timely completion of the audit for our tax filing purposes, and provided reasonable assistance to them for the fulfilment of their duties. With the engagement of qualified statutory auditors and given the regulatory requirement of submitting the audited financial statements for tax filing purposes and that the qualified statutory auditors ought to be fully aware of the tax reporting deadline, our executive Directors honestly and reasonably believed at the relevant time that such statutory auditors would finalise the audited financial statements of Easy Smart Engineering and Easy Smart Maintenance properly and in a timely manner to prevent delays in preparing and filing the tax filings with the IRD or prior year adjustments which eventually led to delay in notification of profits tax chargeable. Our executive Directors had no reason to doubt that qualified statutory auditors were not competent in doing so. To a certain extent, the timeline of completion of the audited financial statements of Easy Smart Engineering and Easy Smart Maintenance is not within the full control of our executive Directors because it is subject to the schedule and actual audit progress of the respective qualified statutory auditors;

- (ii) due to the different accounting standards (specifically, the SME-FRS for the financial statements of Easy Smart Engineering and Easy Smart Maintenance and the HKFRS for the consolidated financial statements of our Group) between the preparation of the audited financial statements for Easy Smart Engineering and Easy Smart Maintenance and the audited consolidated financial statements of our Group, the preparation of such statements was significantly more complex and longer time was required to finalise the audited financial statements for the year ended 30 June 2020 of Easy Smart Engineering and Easy Smart Maintenance. As the finalisation of the audited financial statements for Easy Smart Engineering and Easy Smart Maintenance was necessary for preparing the profits tax computation, delays were inevitably occurred for completing the profits tax returns and for making the notification of tax chargeability for the year of assessment 2020/21;
- (iii) as for the delegation to the staff overseeing our tax filings, given that our executive Directors ensured that she was provided with necessary resources and support of our Group's finance staff, our executive Directors honestly and reasonably believed at the relevant time that she was able to arrange for the tax filings to be submitted to the IRD in a timely manner or else draw our executive Directors' attention to potential delays so that they could make necessary arrangements. Given the relevant administrative personnel's tasks involved liaising with professionals, such as the qualified statutory auditors, preparing tax filings based on the audited financial statements prepared by the qualified statutory auditors and submitting such filings in a timely manner which were all considered administrative tasks, our executive Directors honestly and reasonably believed at the relevant time that accounting and taxation knowledge and qualifications were not prerequisites for that position. Furthermore, our executive Directors did not expect the delays in tax filings to the IRD given the professionals involved and the resources and assistance provided to her;

Actions taken by our executive Directors and our Group to ensure compliance

- (iii) having considered the circumstances leading to the non-compliance incidents, our executive Directors have taken actions to procure our Group to comply with the relevant tax requirements, including, completing all the tax filings and notifications, changing the statutory auditors to prepare the audited financial statements of Easy Smart Engineering and Easy Smart Maintenance, appointing a new tax representative to handle the tax filings, voluntarily purchasing tax reserve certificates for Easy Smart Engineering, writing to the IRD seeking an extension of time to file the profits tax returns for Easy Smart Engineering and writing to the IRD for the issuance of profits tax returns for Easy Smart Maintenance;
- (iv) our Group has relieved the responsible administrative personnel previously overseeing the tax filings of such duties and such duties are now handled by our Group's new financial controller, Mr. Pang Yuk, who will oversee the

financial management of our Group and will be assigned to review, on a regular basis, our compliance with relevant tax laws and regulations and, where appropriate, will consult with an independent tax representative. Mr. Pang has more than eight years of experience in accounting, corporate finance, compliance and company secretarial work (for further details of his qualifications and work experience, please refer to the section headed “Directors and senior management” in this prospectus). To ensure multiple levels of review, our accounting manager will be responsible for liaising with the tax representative to ensure that the timely preparation of the tax filings by the tax representative. The accounting manager will then pass the tax filings for our financial controller’s review. Additionally, based on our updated internal control manual, our executive Directors and our financial controller will ensure the filing of tax returns before the submission deadline and our company secretary will proactively remind our executive Directors and our financial controller for such tax filing matters;

- (v) we have adopted or will adopt upon the Listing, enhanced internal control measures as detailed in the section headed “Financial information — Tax refiling of Easy Smart Maintenance for year of assessment 2018/19 — Enhanced internal control measures adopted to prevent recurrence” in this prospectus and based on the enhanced internal control measures in place, our Internal Control Consultant is of the view that the design of enhanced internal control measures established by our Group are adequate and effective to reasonably prevent the occurrence of any similar non-compliance in the future;

Other factors considered

- (vi) the non-compliance incidents did not involve any fraudulent or dishonest acts by our Directors, and thus does not raise any concern on their integrity. No prosecution was initiated against our executive Directors nor had any of our executive Directors been subject to any summons or fine relating to any non-compliance with the IRO as at the Latest Practicable Date;
- (vii) as set out in the above reasons, the non-compliance incidents were unintentional and not willful. As advised by our Legal Counsel, there is no consent or connivance on the parts of our Directors for the non-compliance and that there would not be any negative impact on the competence of our Directors as directors of our Company;
- (viii) the non-compliance incidents, whether considered individually or collectively, did not and will not have any significant operational or financial impact on us, in particular, the IRD had agreed to apply compound penalty on Easy Smart Engineering for the year of assessment 2020/21 in lieu of prosecution and that such compound penalty has been provided for and made. By dealing with the non-compliances administratively, Easy Smart Engineering will not be subject to any risk of further proceedings by the IRD;

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- (ix) our Directors are mindful and alert to this issue and will more carefully monitor this situation in the future including the delegation of appropriately qualified staff with the assistance of external professional parties to ensure future compliance. Despite such delegation and in recognising their responsibility to ensure we duly comply with relevant laws and regulations, our executive Directors will take the following actions upon the Listing:
 - (a) review the period-end checklist mentioned above to monitor the tax filing timeline, require our financial controller and responsible staff to keep our Directors informed of such tax filings, and follow-up with them where necessary to ensure timely compliance of our Group's tax filings;
 - (b) review the internal control manual annually and after consultation with the internal control consultant, consider whether such manual should be updated to include any other measures to facilitate our Group's compliance with the IRO;
 - (c) to keep themselves educated on the new developments on the requirements of the IRO and in the event of major reforms to the IRO, our executive Directors will ensure that they will attend appropriate training to gain an understanding of such changes. Furthermore, Mr. Dave Ng and Mr. Vincent Ng, our executive Directors, and Mr. Pang Yuk, our financial controller, will periodically attend taxation related training after Listing; and
- (x) upon completion of the training session provided by our Hong Kong Legal Advisers, our Directors are fully aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and their duties to ensure our Group observes and complies with all applicable rules and regulations,

our Directors consider, and the Sole Sponsor concurs, that the above non-compliance incidents do not have any material impact on the competence and suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules and on the suitability of our Company's Listing under Rule 8.04 of the Listing Rules.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise from (a) the litigations and claims taken against our Group before the Share Offer becomes unconditional; and (b) any non-compliances and all accidents of our Group that happened before the Share Offer becomes unconditional other than, among others, specific provision has been made for such taxation liability in the audited consolidated financial statements of any members of our Group for the Track Record Period. Further details of the Deed of Indemnity are set out in the paragraph headed “Statutory and general information — E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE MATTERS

A. Governance

We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our Group’s business operation. We are committed to comply with environmental, social and governance (“ESG”) reporting requirements upon the Listing. We have established an ESG policy (the “ESG Policy”) in accordance with the standards of Appendix 27 to the Listing Rules, which outline, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG strategy formation procedures; (iv) ESG risk management and monitoring; and (v) the identification of key performance indicators (“KPIs”), the relevant measurements and mitigating measures.

Our ESG policy also sets out the responsibilities of different parties in managing the ESG matters. Our Board takes the leadership in promoting top-down culture, with our Board being the highest governance body of our Group, ensures that ESG considerations are taken into consideration during the business decision-making process. Our Board has an overall responsibility for overseeing and determining our Group’s environmental, social, and climate-related risks and opportunities impacting our Group via the annual risk assessment which is detailed in the paragraph headed “C. Our strategies in addressing ESG-related risks and opportunities” in this section below, establishing and adopting the ESG policy and targets of our Group, and reviewing and revising our Group’s performance annually against ESG targets as appropriate.

Our Board has established an ESG working group that currently comprises seven members, including members of our senior management, Mr. Dave Ng, Mr. Pang Yuk and Mr. Lui Siu Fung as well as four others in managerial roles including two general managers, one project manager and an accounting manager, all of whom are considered to have sufficient knowledge of our Group’s operation, and relevant experiences and/or responsibilities for handling the current and emerging ESG matters. For further details of the experience and qualifications of Mr. Dave Ng, Mr. Pang Yuk and Mr. Lui Siu Fung,

please refer to the section headed “Directors and senior management” in this prospectus. In respect to how the experiences and/or responsibilities of the members of the ESG working group will assist in ESG matters, we consider that our executive Director can oversee our Group’s ESG matters generally and report to our Board on ESG matters, while our financial controller, who supervises all finance activities and accounting operations of our Group, will also assist our Group in assessing and identifying the potential financial implications arising from potential climate risks. For our general managers and project managers, they have extensive knowledge in project management and are responsible for overseeing the front-line operations, and thus can assist in project compliance with environmental matters and monitoring of procurement practices. Since the relevant accounting manager is also responsible for our Group’s human resources management, she can assist us in our compliance with labour standards and diversity inclusion.

The ESG working group supports the Board in implementing ESG actions, policies, targets and strategies; conducting materiality assessments of material ESG and climate risks through the ESG data collection and reporting cycle. The ESG working group also investigates deviation from targets and seek for rectification actions for such deviation. The ESG working group has to report to our Board on a semi-annual basis on the ESG performance of our Group, and our Board will review the effectiveness of the systems and controls in place, including business, environment, people, and social interests.

B. Potential impact of ESG-related risks

As a contractor specialising in passive fire protection works in Hong Kong, we are subject to various laws and regulations in Hong Kong in relation to environmental matters and social matters.

If our Group breaches any environmental-related and social-related laws and regulations, or is accused of non-compliance with the requirements stipulated, we may face penalties or suspension of operation, and such incidents may also adversely affect our reputation, credibility and business prospects.

To the best of the knowledge, information and belief of our Directors, we are in compliance with applicable environmental regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not incur any significant expenses for compliance with our environmental obligations and do not expect to incur any significant expenses in this respect going forward.

In addition, our Group has identified the potential acute physical risks and transition risks from climate change. Acute physical risk can arise from extreme weather conditions which may have potential financial implications for our Group, for instance, damage to our installation works, delay the work progress and disrupting our supply chain. Meanwhile, sustained elevated temperature resulting from chronic physical risk may increase the risk of heat stroke of our employees. Our Group has formulated safety manual and developed contingency measures to govern the course of actions during extreme weather conditions, such as when typhoon signal is hoisted or rainstorm warning signal is in force. Upon evaluation, it is concluded that our Group’s exposure to these potential risks that may cause disruption to our operation and assets are relatively low.

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Potential transition risk may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policy, and technology risks. Our Group has adopted measures to mitigate emissions and conserve energy. Our Group purchases from reputable and reliable approved suppliers and we have also adopted green procurement, where suppliers (i) with relevant ISO certifications, such as ISO 14001 Environmental Management System, ISO 20400 Sustainable Procurement, ISO 9001 Quality management and ISO 45001 Health and safety management, (ii) which supply low carbon construction materials such as products that obtained Construction Industry Council Green Product Certification, are preferred if their products meet the requirements of the relevant projects and main contractors. We prioritise our procurement from suppliers with the above certifications. As suppliers certified with relevant ISO certifications indicate that the suppliers have an environmental management system in place or integrated sustainability within their procurement to manage and minimise their business's environmental impacts, such as greenhouse gas emissions, energy and water usage, and waste production, our preference given to suppliers with ISO 14001 Environmental Management System and ISO 20400 Sustainable Procurement is consistent with our green procurement practices, which involves purchasing products and services that cause minimal adverse environmental impacts. We also encourage our employees to attend conference to keep abreast with the latest technology development or practices in passive fire protection works, ensuring that our practices meet industry standards and customer expectations.

Set forth below is a summary of the climate-related risks over the short, medium and long term our Group identified.

	<u>Risks</u>	<u>Potential Impacts</u>
Short and medium term (current annual reporting period and up to three years)	<ul style="list-style-type: none"> • Extreme weather conditions such as flooding and storms • Sustained elevated temperature 	<ul style="list-style-type: none"> • Affect business operations • Disruption to supply chain and impact on revenues • Negative impacts on workforce
Long term (four to ten years)	<ul style="list-style-type: none"> • Change in climate-related regulations • Emerging technology 	<ul style="list-style-type: none"> • Higher operating costs to adopt new practices

C. Our strategies in addressing ESG-related risks and opportunities

Our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will work closely with the Audit Committee and the ESG working group in identifying and classifying the key risks faced by our Group, assessing the likelihood and impact of each identified risk factor, and determining the risk level for each risk factor. Our Board may also engage independent third parties to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board, the Audit Committee and the ESG working group will maintain oversight of our Group's approach to risk management, including climate-related risks.

In order to manage environmental-related and social-related risks, and also climate-related issues, our Board has adopted measures which are specified in our Group's ESG policy to tackle the risks identified during the enterprise risk assessment and has ensured that any potential risks inherent in our business operations or issues that may impact our operations are minimised.

The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as government regulation, transportation network and public perception. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite settings. If the risks and opportunities are considered to be material, our Group will incorporate them into the strategy and financial planning process. Upon evaluation, it is expected that extreme weather conditions and potential physical risks due to sustained elevated temperatures as well as changes in climate-related regulations and emerging technology leading to potential transition risks pose minimal impact on our operation.

D. Metrics and targets

Our Board will set targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon the Listing. The relevant targets on material KPI will be reviewed on an annual basis. In setting targets for the KPIs, our Group has taken into account their respective historical levels during the Track Record Period, and has considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development.

Emissions

Since we are a contractor specialising in passive fire protection works and procure metal parts and components as part of our operation, our greenhouse gas ("GHG") emissions arise from scope 1 direct emissions from burning of fuels in vehicles, scope 2 indirect GHG emissions from purchased electricity, as well as scope 3 other indirect GHG emissions from upstream emissions from our suppliers such as the emissions, energy consumed, and waste disposed during their production process (including production of

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metal parts and components). The following table sets forth a breakdown of our GHG emissions during the Track Record Period:

Type of GHG emission	Unit	Year ended 30 June			Four months ended
		2020	2021	2022	31 October 2022
CO ₂ equivalent	tonnes per thousand dollars of revenue	0.00021	0.00017	0.00017	0.00015

Our Group will make continuous efforts in working towards the target of reducing the GHG emission intensity by 5% by the year ending 30 June 2025, against the emission intensity of the baseline year ended 30 June 2022.

Other air pollutants include nitrogen oxides (“NO_x”), sulphur oxides (“SO_x”) and particulate matter (“PM”). The following table sets forth a breakdown of our NO_x, SO_x and PM emissions during the Track Record Period:

Type of air pollutant emission	Unit	Year ended 30 June			Four months ended
		2020	2021	2022	31 October 2022
NO _x	grams per thousand dollars of revenue	0.18	0.14	0.14	0.15
SO _x	grams per thousand dollars of revenue	0.00051	0.00041	0.00037	0.00036
PM	grams per thousand dollars of revenue	0.017	0.014	0.013	0.015

Our Group will make continuous efforts in working towards the target of reducing the emission intensity of NO_x, SO_x and PM by 5% by the year ending 30 June 2025, against the emission intensity of the baseline year ended 30 June 2022. We have adopted an array of measures in mitigating the air pollutant emission and GHG emissions during the course of our operations, including but not limited to:

- requiring employees to turn off lights, equipment, and other electronic devices when such devices are not in operation and before leaving the premises;
- replacing all lightings with LED lighting products that are more energy-efficient;
- setting and keeping air conditioners to a default temperature of around 24 degrees Celsius;

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- procuring products for the office that are more energy efficient, such as those with Grade 1 or 2 energy label; and
- conducting regular inspection and maintenance of vehicles and equipment.

We have also adopted green procurement practices to manage scope 3 indirect GHG emissions from the upstream supply chain with preference given to suppliers with relevant ISO certifications such as ISO 14001 Environmental Management System and ISO 20400 Sustainable Procurement, or products that obtained certifications such as Construction Industry Council Green Product Certification if their products meet the project requirements. As suppliers certified with relevant ISO certifications indicate that the suppliers have an environmental management system in place or integrated sustainability within their procurement to manage and minimise their business's environmental impacts, such as greenhouse gas emissions, energy and water usage, and waste production, our preference given to suppliers with ISO 14001 Environmental Management System and ISO 20400 Sustainable Procurement is consistent with our green procurement practices, which involves purchasing products and services that cause minimal adverse environmental impacts. We believe that such GHG emissions could be minimised via a prudent selection of suppliers and low carbon construction materials.

Water Consumption

The following table sets forth a breakdown of our water consumption during the Track Record Period:

<u>Type of consumption</u>	<u>Unit</u>	<u>Year ended 30 June</u>			<u>Four months</u>
		<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>ended</u>
					<u>31 October 2022</u>
Water	cubic meters per thousand dollars of revenue	0.00035	0.00032	0.00023	0.00036

Our Group targets to reduce the water consumption intensity by 5% by the year ending 30 June 2025, against the water consumption intensity of the baseline year ended 30 June 2022. Our Group will make continuous efforts in working towards the set target of water consumption through the established water usage management and the implemented measures to avoid unnecessary leakage.

Noise and waste management

Regarding noise and solid waste disposal, we strictly abide by the relevant regulations, prohibiting the installation works to be carried out during restricted hours unless construction noise permits are obtained, and also sorting the construction wastes if required. Non-hazardous construction wastes and residual materials will be sorted and separated into inert and non-inert portions. Recyclable or reuseable materials such as metals and concrete will be handled by recyclers, and the remaining sorted inert and

non-inert portions will be handled by the waste collector engaged by the main contractors to dispose of at the relevant government waste disposal facilities (public fill reception facilities, sorting facilities or landfills) in accordance with the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, while any hazardous or toxic waste will be collected in a designated waste location with cautionary warning signs, and further handled by a licensed waste collector engaged by the main contractors. If the materiality of these two items increases in the future, the ESG working group will identify the data and disclose accordingly.

Occupational health and safety

During the Track Record Period and up to the Latest Practicable Date, we recorded six work-related accidents and none of them were fatalities. For details of our accidents during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed “Occupational health and safety — Accidents during the Track Record Period” in this section. Accidents that give rise to employees’ compensation claims and/or personal injury claims are generally covered by the insurance policies of the relevant main contractors. In addition, we have adopted numerous safety measures, including but not limited to:

- formulating safety policies in operating equipment and machines;
- providing safety training to employees at construction sites before their commencement of work on safe work practices and proper handling of any hazardous substances;
- ensuring our employees on the work sites possess a valid Construction Industry Safety Training Certificate (Green Card) and Construction Workers Registration Card;
- ensuring employees at construction sites are provided with necessary safety equipment; and
- conducting regular safety inspections on site and providing suitable warnings to employees on potential risks on site.

Our Group has also implemented various precautions and safety measures for handling hazardous waste (if any), such as toxic materials, including but not limited to (i) requiring all workers to wear mask and appropriate personal protective equipment; (ii) placing warning signs and labelling the container holding the hazardous substance legibly with the name of the substance, hazard classification and symbol, particular risks inherent in the substance, and required safety precautions; (iii) prohibiting smoking in the work areas; and (iv) keeping the work sites well-ventilated. For further details on our Group’s occupational health and safety, please refer to the paragraph headed “Occupational health and safety — Our current occupational health and safety standards system” in this section.

Quality control and supply chain risk management

Our Group is dedicated to maintaining the high quality of our services, it has established a quality management system and implemented various measures to ensure the quality of our services, including but not limited to (i) monitoring and supervising the works conducted by our subcontractors to ensure compliance with customers' requirements and standards as well as the implementation and compliance with safety management system; (ii) maintaining records on the progress of the projects, issues identified from inspections and testing as well as status of timely rectifications; and (iii) careful selection of suppliers and ensuring quality and standards of the materials supplied. Our Group performs background checks and assessments prior to engaging the suppliers (including subcontractors), including their historical compliance with environmental and social-related laws and regulations (such as their waste, labour and occupational health and safety management). As abovementioned, our Group purchases from reputable and reliable approved suppliers, and suppliers with relevant ISO certifications (such as ISO 14001, ISO 9001, ISO 45001) or supply of low carbon construction materials such as products that obtained Construction Industry Council Green Product Certification, will have advantages during our Group's supplier selection process. In support of our quality control adopted, our Group has been accredited with ISO 9001 certification since 2014. For further details of our Group's quality control measures, please refer to the paragraph headed "Quality Control" in this section.

Our Group has also adopted various measures to ensure the safety of our materials used, including but not limited to (i) purchasing from reputable and reliable approved suppliers, preferably with relevant ISO certifications; (ii) performing periodic assessments on the products or materials used in our projects such as by examining the product specifications and relevant material safety data sheet (where available); and (iii) prohibiting the use of such materials (such as fire resistant paints, fire rated boards and fire rated doors) with carcinogenic substances in our projects as outlined in our internal control manual and checking that our materials (including fire resistant paints, fire rated boards and fire rated doors) used are free from carcinogenic substances. To the best knowledge, information and belief of our executive Directors, our Group's passive fire protection materials used in projects do not contain carcinogenic substances.

Diversity, equity and inclusion

Our Group embraces diversity and is committed to promoting the diversity of our employees to enhance the effectiveness of our corporate governance. We strive to achieve diversity not only in terms of gender, but also age, culture, educational background, professional qualifications, skills and industry experience. We ensure that our employees are recruited strictly based on their abilities through an impartial and transparent recruitment system. We support diversity, equity and inclusion in the workplace and believe that by providing all individuals with equal opportunities, we can make the most of their capabilities as part of our social responsibility. We acknowledge the value of gender diversity and will ensure gender diversity in our Board composition by having at least one female Director. Currently, the male to female ratio in our senior management is approximately 87.5:12.5, while it is approximately 75:25 in our workforce (including our senior management). We target to raise the ratio of females in our workforce (including senior management) to 30% to 40% of our workforce by 30 June 2024.

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Our staff handbook clearly stipulated that no employee is to be mistreated, harassed, discriminated against, or deprived of any opportunities including but not limited to recruitment, promotion, training, and company welfare because of their nationality, religion, beliefs, disability, gender, age, birthplace, sexual orientation, values, workstyles and family status. These important values within our Group are well communicated to all our employees.

Community investment

Our Group also cares about our social responsibility and our relationship with different stakeholders in the community. We will make continuous efforts in strengthening our communication with our employees internally and organise or attend community initiatives such as marathons and festivals to maintain our bonding with our employees and external stakeholders. We will also continue to provide support to non-profit, and charitable organisations through monetary and in-kind support. During the Track Record Period, we made donations to charitable organisations including a local charity dedicated to the support of young people through workshops, internship programs, and long-term employment opportunities and another international charity fighting blindness. Our donations to charities were approximately HK\$115,000 for the year ended 30 June 2022.

RISK MANAGEMENT

Operational risks

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Detailed risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For more details on the major risks identified by our management, please refer to the section headed “Risk factors — Risks relating to our business” in this prospectus.

Financial risks

We face various financial risks, including credit risk and liquidity risk that arise during our ordinary course of business. Our Group has adopted the following key risk management measures to manage the financial risks in our business operations:

(i) Credit risk management

We face risks on collectability of our trade and other receivables, details of which are set forth in the section headed “Risk factors — Risks relating to our business — We are subject to credit risk with respect to the collectability of trade receivables and contract assets arising from our passive fire protection works” in this prospectus.

We have adopted certain procedures to manage our credit risks (for further details, please refer to the paragraph headed “Pricing policy and credit management — Payment terms and credit management” in this section).

We generally provide our customers with a credit term of 14 days to 60 days from the invoice date. As at 30 June 2020, 2021 and 2022 and 31 October 2022, we recorded trade receivables (net of allowance for credit losses) of approximately HK\$11.5 million, HK\$17.3 million, HK\$12.1 million and HK\$16.8 million, respectively. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our trade receivables turnover days were approximately 23.9 days, 28.4 days, 22.9 days and 14.3 days, respectively.

(ii) Liquidity risk management

There is generally a time lag between making payment to our suppliers and receiving payment from our customers resulting in possible cash flow mismatch.

To manage our liquidity position against the cash flow mismatch from our projects, we have adopted the internal control measures that our financial controller will periodically monitor current and expected liquidity requirements and the compliance with debt covenants by reviewing financial statements, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet the liquidity requirements in the short and longer term.

Environmental, social and climate-related risks

Our Board has an overall responsibility for overseeing and determining our Group's environmental, social and climate-related risks as well as opportunities impacting our Group via the annual risk assessment. Our Board will work closely with the Audit Committee and the ESG working group to identify and assess the key risk, including the ESG issues faced by our Group, details of which are set out in the paragraph headed "Environmental, social and corporate governance matters — C. Our strategies in addressing ESG-related risks and opportunities" in this section, and to identify future risks and opportunities, as well as identifying appropriate actions to cope with the ever-changing situations.

Compliance culture

Our Directors endeavour to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and to set expectations for individual behaviour across our organisation, we adopted a code of conduct as set out in our internal control manual. This manual also set out the relevant procedures, monitoring and reporting process we have adopted to ensure compliance with applicable legislation, rules and regulations.

Key corporate governance measures

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Share Offer, we have done, adopted or will adopt prior to Listing, among other things, the following:

- Our Directors attended training session provided by our Hong Kong Legal Advisers on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
- We have engaged Grande Capital Limited as our compliance adviser and will, upon the Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.
- Our Board is responsible for reviewing and approving our strategic development, devising our risk management strategies and operational plans as well as appointing our senior management. We will also have three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (for further details of their composition and duties, please refer to the section headed “Directors and senior management — Board committees” in this prospectus).
- We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with Controlling Shareholders — Corporate governance measures” in this prospectus.
- We shall establish systems and manuals in relation to distribution of annual and interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.

COMPETITIVE LANDSCAPE

According to the Industry Report, the passive fire protection works industry in Hong Kong is relatively concentrated and highly competitive with approximately 500 market participants engaged in passive fire protection works but less than 100 of them specialise in such works. For the year ended 30 June 2022, the top five market participants accounted for an aggregate market share of approximately 53.6% by revenue in the passive fire protection works market in Hong Kong. Our Group was ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong. For further details of the competitive landscape, please refer to the section headed “Industry overview — Competitive landscape of passive fire protection works market” in this prospectus.

CONNECTED TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, our Group entered into certain related party transactions with its related parties (“**Related Party Transactions**”). Details of Related Party Transactions are set out in note 31 to the Accountants’ Report in Appendix I to this prospectus.

Immediately following the Listing, we will have certain ongoing transactions with parties who will, upon the Listing, become our connected persons within the meaning given under Chapter 14A of the Listing Rules. These on-going transactions constitute continuing connected transactions of our Company and their details are as follows:

CONNECTED PERSONS

Set out below is the list of connected persons which had transactions with our Group during the Track Record Period and will continue to have transactions with our Company upon the Listing:

1. Tanda International was incorporated on 7 April 2004 in Hong Kong with limited liability and has been principally engaged in trading of fire protection materials. As at the Latest Practicable Date, Tanda International was held as to 70% by Mr. Ng Ching Ho, father of Mr. Dave Ng and Mr. Vincent Ng, and 30% by Mr. Cheung Wai, an Independent Third Party. Hence, Tanda International is an associate of our connected person of our Group; and
2. Greatec Engineering was incorporated on 20 September 2004 in Hong Kong with limited liability and has been principally engaged in trading of fire protection materials. As at the Latest Practicable Date, Greatec Engineering was held as to 70% by Mr. Johnny Ng (brother of Mr. Dave Ng and Mr. Vincent Ng), and 30% by Mr. Lau Yi Fai, an Independent Third Party. Hence, Greatec Engineering is an associate of our connected person of our Group.

Besides, Warwick Building was incorporated on 9 September 2005 in Hong Kong with limited liability and has been principally engaged in general trading. As at the Latest Practicable Date, Warwick Building was held as to 50% by Mr. Ng Ching Ho, father of Mr. Dave Ng and Mr. Vincent Ng, and 50% by Mr. Woo Yat Wa, an Independent Third Party and they are also the two directors. As Mr. Ng Ching Ho cannot exercise or control the exercise of more than 50% of the voting power at general meetings, or control the composition of the majority of the board of directors of Warwick Building, Mr. Ng Ching Ho does not majorly control Warwick Building pursuant to Rule 14A.06(23) and Rule 14A.12(2)(b) of the Listing Rules, Warwick Building is considered as a “deemed connected person” of our Company under Rule 14A.20 of the Listing Rules.

CONNECTED TRANSACTIONS

Further, the following related parties (as defined in the HKFRS) which had transactions with our Group during the Track Record Period will continue to have transactions with our Group upon the Listing:

1. Goldin Innovation was incorporated on 16 March 2016 in Hong Kong with limited liability and has been principally engaged in general trading. As at the Latest Practicable Date, Goldin Innovation was held as to 20% by Mr. Dave Ng and the remaining 80% by three Independent Third Parties. Mr. Dave Ng is also one of the four directors of Goldin Innovation, the other three directors of Goldin Innovation are Independent Third Parties.
2. Dongguan Tanda was established on 26 June 2019 in the PRC with limited liability and has been principally engaged in trading of metal components. As at the Latest Practicable Date, Dongguan Tanda was held as to 99% by Goldin Innovation and 1% by an Independent Third Party and is a subsidiary of Goldin Innovation.

As Mr. Dave Ng holds 20% in Goldin Innovation and is a director thereof, Goldin Innovation and its subsidiary, Dongguan Tanda, are considered as “deemed connected persons” of our Company pursuant to Rule 14A.20 of the Listing Rules, and therefore, the agreement for purchase of materials with Goldin Innovation Group is also treated as a connected transaction for our Company under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master purchase agreement

During the Track Record Period, Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda have been supplying materials to our Group in the ordinary and usual course of our Group’s business.

In order to govern the purchases of our Group with Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda upon the Listing of our Group, on 14 April 2023, a master purchase agreement was entered into amongst Easy Smart Engineering (as purchaser), Tanda International, Greatec Engineering, Warwick Building and Goldin Innovation Group (as sellers/suppliers) (“**Master Purchase Agreement**”).

Pursuant to the Master Purchase Agreement,

- (i) Tanda International, Greatec Engineering and Warwick Building may sell fire protection materials to our Group on a non-exclusive basis;
- (ii) Goldin Innovation Group may sell metal parts and components to our Group on a non-exclusive basis;

CONNECTED TRANSACTIONS

- (iii) the purchase price, payment time, payment method and other specific terms and conditions (if any) shall be fixed by the relevant parties in the purchase orders on case-by-case basis; and
- (iv) the terms of the Master Purchase Agreement will commence on the Listing Date and expire on 30 June 2025.

Pricing policy of the Master Purchase Agreement

In accordance with our normal practice, our materials are typically purchased from suppliers selected from a list of approved suppliers for our principal materials. For further details of our quality control measures, please refer to the section headed “Business — Quality control” in this prospectus.

The purchase price of materials under the Master Purchase Agreement is determined with reference to the prevailing market prices of the same or comparable kind of materials. Such market price shall be determined with reference to (i) the prevailing market price of the same or similar materials obtained from suppliers who are Independent Third Parties based on normal commercial terms and in the ordinary and usual course of business; or (ii) if (i) is not available, the purchase prices of the same materials offered by the relevant seller to its customers who are Independent Third Parties based on normal commercial terms and in the ordinary and usual course of business. We will regularly contact our suppliers (including Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation Group and Independent Third Parties) to understand the market conditions and determine the prevailing market rate of the relevant type of materials.

Reasons for entering into the Master Purchase Agreement

We have been procuring materials from Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda in the ordinary and usual course of our business during the Track Record Period. Our Directors consider that the procurement of materials from them would benefit our Group for the following reasons:

- our Group has an established business relationship with Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda and understand the business operations, construction requirements, quality control and other requirements of each other, which enable smooth cooperation and operation and help save costs;
- Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda are capable of supplying our Group with such materials with sufficient quantity, reliable quality and in a timely manner, which will ensure smooth business operation of our Group;
- although Warwick Building and Goldin Innovation have been principally engaged in general trading, their trades have been respectively focusing on

CONNECTED TRANSACTIONS

materials which are required or commonly used for the provision of passive fire protection works. Warwick Building has been focusing on trading fire-resistant paints, plasters and fire retardant wool, whereas Dongguan Tanda being a subsidiary of Goldin Innovation has been producing metal parts and components which are our commonly used materials for passive fire protection works of our Group. Furthermore, based on the unit price of materials supplied by Warwick Building or Goldin Innovation as compared to the unit price quoted by Independent Third Party suppliers, we estimate cost savings through the selection of Warwick Building for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$0.6 million, HK\$0.2 million, HK\$0.2 million and HK\$0.3 million, representing approximately 8.0%, 13.2%, 19.9% and 18.1% of the total amount of purchases from Warwick Building for each year/period, respectively and cost savings through the selection of Goldin Innovation for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$0.3 million, HK\$0.3 million, HK\$0.3 million and HK\$37,000, representing approximately 9.4%, 11.2%, 11.8% and 11.4% of the total amount of purchases from Goldin Innovation for each year/period, respectively;

- Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda offered us competitive selling prices and with standard of qualities that met our standards;
- the fire protection materials and components to be supplied to our Group under the Master Purchase Agreement are to be used by our Group in our provision of passive fire protection and ancillary works. Since the procurement and installation of appropriate passive fire protection materials and components is in our ordinary and usual course of business of our Group, the transactions under the Master Purchase Agreement will provide a steady control on costs of our Group; and
- the prices and terms for the procurement of such materials by our Group under the Master Purchase Agreement would be no less favourable to our Group than those provided by suppliers who are Independent Third Parties.

CONNECTED TRANSACTIONS

Historical amounts

The historical transaction amounts for our purchases of materials from Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda during the Track Record Period were approximately as follows:

	For the year ended 30 June			Four months ended 31 October 2022
	2020	2021	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase from Tanda International	1,541	3,474	1,472	196
Purchase from Greatec Engineering	37	585	171	–
Purchase from Warwick Building	7,065	1,235	856	1,930
Purchase from Goldin Innovation	3,478	3,008	2,218	364
Purchase from Dongguan Tanda	–	827	–	–
	12,121	9,129	4,717	2,490
Total	12,121	9,129	4,717	2,490

Proposed annual cap and basis of cap

The proposed annual cap of the Master Purchase Agreement (the “Annual Cap”) for the years ending 30 June 2023, 2024 and 2025 are as follows:

	For the year ending 30 June		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate purchases from Tanda International, Greatec Engineering, Warwick Building and Goldin Innovation Group	9,000	9,000	9,000
	9,000	9,000	9,000

In arriving at the Annual Cap, our Directors had considered that:

- (a) there were fluctuations in the historical purchase amounts from Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda with reasons as elaborated below which justify our Group to

CONNECTED TRANSACTIONS

adopt an aggregate amount as its Annual Cap from the date of the Listing for providing better and flexible utilisation, management and planning of our Group's resources:

- (i) the aggregate purchases from Tanda International and Greatec Engineering increased to approximately HK\$4.1 million for the year ended 30 June 2021 mainly because we purchased materials from Tanda International that were required for Project 5024, which involved relatively high original contract sum of approximately HK\$48.0 million and we were required to implement such works within the relatively shorter timeframe;
 - (ii) the aggregate purchases from Warwick Building was higher for the year ended 30 June 2020 mainly because of our large purchases from Warwick Building for fire-resistant paints, plasters and fire retardant wool (which were the main types of materials traded by Warwick Building) that were required for certain sizeable projects, particularly Projects 4659 with an original contract sum of approximately HK\$23.1 million;
 - (iii) the aggregate purchases from Goldin Innovation Group increased from the year ended 30 June 2020 to the year ended 30 June 2021, but the aggregate purchase from Goldin Innovation Group decreased for the year ended 30 June 2022 mainly because of our decrease in demand for metal parts and components for our projects for the year ended 30 June 2022;
- (b) the aggregate purchases from Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 were approximately HK\$12.1 million, HK\$9.1 million, HK\$4.7 million and HK\$2.5 million respectively, with an average of the historical purchase amounts for the three recent full financial years (i.e. the years ended 30 June 2020, 2021 and 2022) of approximately HK\$8.7 million; and
- (c) the expected demand from our Group of the fire protection materials to be supplied by Tanda International, Greatec Engineering and Warwick Building, and the metal parts and components to be supplied by Goldin Innovation Group for our works in the existing and secured projects (including the five earmarked projects, namely, Projects 5330, 5121, 5399, 5153 and 5411).

Listing Rules implications

Since the terms and nature of the Master Purchase Agreement are substantially the same, and the counterparties and/or the ultimate beneficial owner of the counterparties under all the Master Purchase Agreement are connected persons or deemed connected persons of our Company pursuant to Rule 14A of the Listing Rules, the transactions contemplated under the Master Purchase Agreement constitute continuing connected

CONNECTED TRANSACTIONS

transactions of our Company and should be aggregated pursuant to the Listing Rules, and are subject to the reporting, annual review and announcement requirements but will be exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view, and the Sole Sponsor concurs, that the transactions contemplated therein together with the Annual Cap set forth above are fair and reasonable, and that they have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

INTERNAL CONTROL MEASURES

To ensure sound and effective operation of our Company with the adoption of the Master Purchase Agreement, the management of our Group plans to take the following measures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and the management of our Company are jointly responsible for evaluating the terms under the Master Purchase Agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and the Annual Cap;
- the Audit Committee, the Board and the management of our Company also regularly monitor the fulfillment status and the transaction updates under the Master Purchase Agreement. In addition, the management of our Company also regularly reviews the pricing policies of the specific business agreements entered into under the Master Purchase Agreement;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the Master Purchase Agreement and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 of the Listing Rules the transactions are conducted in accordance with the terms of the Master Purchase Agreement, on normal commercial terms and in accordance with the relevant pricing policies;
- when considering amounts for purchase of the materials to be provided to our Group by the above connected persons or deemed connected persons, our Group will regularly research into prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to make sure that the terms and conditions offered by the above connected persons and deemed

CONNECTED TRANSACTIONS

connected persons from mutual commercial negotiations (as the case may be) are fair and reasonable and are based on normal or no less favorable commercial terms than those offered by other comparable Independent Third Parties; and

- when considering any renewal or revisions to the Master Purchase Agreement after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed Annual Cap) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the Master Purchase Agreement to the extent that they constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

Since the highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the Master Purchase Agreement, when aggregated as a series of transactions, for the years ending 30 June 2023, 2024 and 2025 calculated for the purpose of Chapter 14A of the Listing Rules are expected to exceed 5% but below 25% and the expected annual aggregated transaction amount will be less than HK\$10 million, the transactions contemplated under the Master Purchase Agreement will, upon the Listing, constitute continuing connected transactions of our Company subject to annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but will be exempt from the independent Shareholders' approval requirement under Rule 14A.76 of the Listing Rules.

Notwithstanding that the transactions contemplated under the Master Purchase Agreement and any existing transaction or renewal thereof constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirement set out under Chapter 14A of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions contemplated under the Master Purchase Agreement, provided that the total transaction amount for each of the years ending 30 June 2023, 2024 and 2025 will not exceed the relevant proposed Annual Cap.

CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(i) Employment agreement with Ms. Wong Kwai Ying (“Ms. Wong”)

Ms. Wong is the spouse of Mr. Dave Ng, one of our executive Directors, hence Ms. Wong is a connected person of our Company under Rule 14A.12(1)(a) of the Listing Rules. Ms. Wong has been a secretary of our Group since 1 January 2018 and has been responsible for providing secretarial support to us. With the experience of Ms. Wong in our Group, our Group considers it suitable to continue the employment with Ms. Wong, so we entered into a fixed term employment agreement with Ms. Wong as our Group’s secretary up to 30 June 2025 (“**Employment Agreement with Ms. Wong**”). Our Directors estimate that the annual salary payable to Ms. Wong shall not exceed HK\$450,000 for each of the years ending 30 June 2023, 2024 and 2025, as determined by our Directors with reference to the salaries and other allowance paid by our Group to Ms. Wong for the years ended 30 June 2020, 2021, 2022 and the four months ended 31 October 2022 of HK\$408,000, HK\$378,000, HK\$418,000 and HK\$134,000, respectively. Our Directors consider that entering into the Employment Agreement with Ms. Wong is in our ordinary and usual course of business and the terms therein are on normal commercial terms and are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

(ii) Employment agreement with Ms. Lim

Ms. Lim is the mother of Mr. Dave Ng and Mr. Vincent Ng, our executive Directors, hence Ms. Lim is a connected person of our Company under Rule 14A.12(2)(a) of the Listing Rules. During the Track Record Period, Ms. Lim was a director of Easy Smart Engineering and E-Build Technology and was responsible for overseeing the general administrative works and operation of our Group. Although she resigned as a director of Easy Smart Engineering in September 2021, our Group considers it suitable to continue retaining Ms. Lim as a senior administrative manager so that she may continue serving our Group by overseeing our overall general administration and operation of our principal subsidiaries, Easy Smart Engineering and Easy Smart Maintenance, while also remaining as one of the directors of E-Build Technology without charging us a director’s fee. We entered into a fixed term employment agreement for the position of a senior administrative manager with Ms. Lim up to 30 June 2025 (“**Employment Agreement with Ms. Lim**”). Our Directors estimate that the annual salary payable to Ms. Lim shall not exceed HK\$250,000 for each of the years ending 30 June 2023, 2024 and 2025, as determined by our Directors with reference to the salaries and other allowance paid by our Group to Ms. Lim for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$222,000, HK\$222,000, HK\$230,000 and HK\$80,000, respectively. Our Directors consider that entering into the Employment Agreement with Ms. Lim is in our ordinary and usual course of business and the terms therein are on normal commercial terms and are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

(iii) Employment agreement with Mr. Johnny Ng

Mr. Johnny Ng is a brother of Mr. Dave Ng and Mr. Vincent Ng, our executive Directors, hence Mr. Johnny Ng is a connected person of our Company under Rule 14A.12(2)(a) of the Listing Rules. Mr. Johnny Ng has been an assistant project manager of our Group since May 2003 and was promoted to the position of senior quantity surveyor manager in April 2017. Mr. Johnny Ng has been responsible for assisting us in conducting costs analysis, ascertaining quantities and handling payment applications for our Group and he is not involved in the selection process of suppliers, such as Greatec Engineering, or subcontractors for our Group, nor is he involved in the procurement process of materials for our Group.

With his experience in our Group, our Group considers it suitable to continue the employment with Mr. Johnny Ng, so we entered into a fixed term employment agreement with Mr. Johnny Ng as our Group's senior quantity surveyor manager up to 30 June 2025 ("**Employment Agreement with Mr. Johnny Ng**").

Our Directors estimate that the annual salary payable to Mr. Johnny Ng shall not exceed HK\$550,000 for each of the years ending 30 June 2023, 2024 and 2025, as determined by our Directors with reference to the salaries and other allowance paid by our Group to Mr. Johnny Ng for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$476,000, HK\$482,000, HK\$503,000 and HK\$146,000, respectively. Our Directors consider that entering into the Employment Agreement with Mr. Johnny Ng is in our ordinary and usual course of business and the terms therein are on normal commercial terms and are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Listing Rules implications

Since the terms and nature of the Employment Agreement with Ms. Wong, the Employment Agreement with Ms. Lim and the Employment Agreement with Mr. Johnny Ng are substantially the same, and Ms. Wong, Ms. Lim and Mr. Johnny Ng are family members and are connected persons of each other, the transactions contemplated under the Employment Agreement with Ms. Lim, the Employment Agreement with Ms. Wong and the Employment Agreement with Mr. Johnny Ng should be aggregated pursuant to the Listing Rules.

Since all of the applicable percentage ratios (other than the profits ratio) for the Employment Agreement with Ms. Wong, the Employment Agreement with Ms. Lim and the Employment Agreement with Mr. Johnny Ng are less than 5% and the total consideration is less than HK\$3,000,000, the Employment Agreement with Ms. Wong, the Employment Agreement with Ms. Lim and the Employment Agreement with Mr. Johnny Ng will be fully exempt under Chapter 14A of the Listing Rules upon the Listing.

TRANSACTIONS ENTERED INTO BEFORE THE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

We have entered into certain tenancy agreements with Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim, which were entered into before the Listing and are accounted as one-off in nature under HKFRS 16. If these transactions were entered into after the Listing, these transactions would have constituted connected transaction of our Group. Details of these transactions are set out below in order to facilitate potential investors to anticipate that we have, before the Listing, entered into transactions which would otherwise be considered as connected transactions should our Company be listed on the Stock Exchange at the time of the relevant transactions.

CONNECTED TRANSACTIONS

Tenancy agreements

As at the Latest Practicable Date, our Group has entered into three tenancy agreements (the “**Tenancy Agreements**”) for renting the following properties (“**Properties**”), details of which are set out as follows:

Date of tenancy agreement	Property address	Parties	Approximate size of property (sq. ft.)	Total rental under the tenancy (HK\$)	Term of tenancy	Actual usage
25 May 2022	Factory E on 7 th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Landlord: Mr. Dave Ng Tenant: Easy Smart Engineering	3,374.9	900,000 (inclusive of government rates, government rent and management fees) (i.e. HK\$36,000 per month)	1 June 2022 to 30 June 2024	Workshop and warehouse
25 May 2022	Factory F on 7 th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Landlord: Mr. Johnny Ng Tenant: Easy Smart Engineering	2,243.6	600,000 (inclusive of government rent and government rates but exclusive of management fees) (i.e. HK\$24,000 per month)	1 June 2022 to 30 June 2024	Workshop and warehouse
25 May 2022	Factory G on 7 th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Landlord: Ms. Lim Tenant: Easy Smart Engineering	3,372.3	850,000 (inclusive of government rent but exclusive of government rates and management fees) (i.e. HK\$34,000 per month)	1 June 2022 to 30 June 2024	Workshop and warehouse

CONNECTED TRANSACTIONS

Basis of determining the rental payable

The rents were on normal commercial terms determined after arm's length negotiations based on the prevailing market rents no less favourable to those offered by Independent Third Parties for comparable properties in a similar location. In respect of the payment of rental expenses to Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim, the Independent Valuer has reviewed the relevant tenancy agreements and confirmed that, with reference to the transacted rentals of relevant comparable properties and compared the differences of various factors of the relevant properties, and the relevant comparable properties such as location, quality, size and time, etc., the rental of those properties paid to Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim were no less favourable to the tenant, Easy Smart Engineering. The other terms and conditions contained in the relevant tenancy agreements, including the rental payment term, rental deposit and lease period, are on normal commercial terms under prevailing market conditions and are considered as fair and reasonable. Having considered the view of the Independent Valuer, our Directors are of the view that the terms of the Tenancy Agreements are on normal commercial terms.

Reasons for the Tenancy Agreements

We have historically been using the Properties as our workshops and warehouse. Having considered that the rents of the Properties under the Tenancy Agreements are comparable to the prevailing market rents of comparable properties in similar locations, and the Tenancy Agreements have been entered into in the ordinary and usual course of business, on terms no less favourable to us than from those available to Independent Third Parties, our Directors consider that the terms of the Tenancy Agreement are fair and reasonable and it is in the interests of our Company and our Shareholders as a whole to continue using the Properties.

Accounting treatment of the Tenancy Agreements

Our Group has adopted HKFRS 16 for the accounting period beginning on 1 July 2019, pursuant to which, for the accounting period beginning on 1 July 2019, our Group as lessee shall recognize a liability to make rental payments and an asset representing the right to use the underlying asset during the term of the Tenancy Agreements. Accordingly, the transactions under the Tenancy Agreement would be regarded as acquisitions of assets by the tenant for the purpose of the Listing Rules.

Implication under the Listing Rules

As the landlords are Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim who are family members and are connected persons of each other, the transactions contemplated under the Tenancy Agreements are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As each of the relevant percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules in respect of the aggregated value of the right-of-use of the Properties was less than 5% and the aggregated value of the right-of-use was less than HK\$3.0 million, the relevant transactions would constitute de minimis connected transactions under Rule 14A.76 of the Listing Rules and would be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules should our Company be listed on the Stock Exchange at the time of the relevant transactions.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised and without taking into account any options which may be granted under the Share Option Scheme), Mr. Dave Ng, through his holding company Lofty Profit, will hold and in general meetings be entitled to exercise voting rights attached to Shares representing 75% of the issued share capital of our Company. Mr. Dave Ng is the founder of our Group, an executive Director and our Chairman. As Mr. Dave Ng and Lofty Profit are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Mr. Dave Ng and Lofty Profit shall be regarded as our Controlling Shareholders under the Listing Rules and pursuant to the guidance Letter HKEX-GL89-16 issued by the Stock Exchange.

Apart from our business of specialising in the provision of passive fire protection works in Hong Kong, our Controlling Shareholders and their close associates had operated/managed and are currently operating/managing other businesses (the “**Excluded Businesses**”) through a number of companies controlled by them during the Track Record Period and as at the Latest Practicable Date and these companies will not form part of our Group after Listing.

The table below sets forth the details of each of the companies operating the Excluded Businesses which our Controlling Shareholders and their close associates are interested in during the Track Record Period and as at the Latest Practicable Date and are excluded from our Group (collectively the “**Excluded Companies**”):

Name	Place of incorporation	Shareholder(s) as at the Latest Practicable Date	Director(s) as at the Latest Practicable Date	Principal business
<i>Excluded Companies with active operations</i>				
Golden Phoenix	Hong Kong	Lai Yui Fai Ben, an Independent Third Party (100%) ^{Note 1}	Lai Yui Fai Ben ^{Note 1}	Provision of electrical and mechanical engineering works
Goldin Innovation	Hong Kong	<ol style="list-style-type: none"> 1. Mr. Dave Ng (20%) 2. Fung Siu Man, an Independent Third Party (40%) 3. Au Chi Hang, an Independent Third Party (20%) 4. Kwok Kam Ying, an Independent Third Party (20%) 	<ol style="list-style-type: none"> 1. Mr. Dave Ng 2. Fung Siu Man 3. Au Chi Hang 4. Kwok Kam Ying 	General trading

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Name	Place of incorporation	Shareholder(s) as at the Latest Practicable Date	Director(s) as at the Latest Practicable Date	Principal business
Dongguan Tanda	PRC	<ol style="list-style-type: none"> 1. Goldin Innovation (99%) 2. Zhou Jiadong* (周家東), an Independent Third Party (1%) 	Fung Siu Man	Trading of metal components
Tanda International	Hong Kong	<ol style="list-style-type: none"> 1. Ng Ching Ho (70%)^{Note 2} 2. Cheung Wai, an Independent Third Party (30%) 	<ol style="list-style-type: none"> 1. Ng Ching Ho 2. Cheung Wai 	Trading of fire protection materials
Greatec Engineering	Hong Kong	<ol style="list-style-type: none"> 1. Mr. Johnny Ng (70%)^{Note 3} 2. Lau Yi Fai, an Independent Third Party (30%) 	<ol style="list-style-type: none"> 1. Mr. Johnny Ng 2. Lau Yi Fai 	Trading of fire protection materials
Warwick Building	Hong Kong	<ol style="list-style-type: none"> 1. Ng Ching Ho (50%)^{Note 2} 2. Woo Yat Wa, an Independent Third Party (50%) 	<ol style="list-style-type: none"> 1. Ng Ching Ho 2. Woo Yat Wa 	General trading
Wintech Century Company Limited (宏達世紀有限公司) (“Wintech Century”)	Hong Kong	<ol style="list-style-type: none"> 1. Cheung Wai, an Independent Third Party (70%) 2. Mr. Dave Ng (30%) 	<ol style="list-style-type: none"> 1. Cheung Wai 2. Mr. Dave Ng 	Trading of fire rating products
Lloyd Asia Company Limited (萊特亞洲有限公司) (“Lloyd Asia”)	Hong Kong	<ol style="list-style-type: none"> 1. Lloyd William Paul, an Independent Third Party (51%) 2. Mr. Dave Ng (34.3%) 3. Cheung Wai, an Independent Third Party (14.7%) 	<ol style="list-style-type: none"> 1. Lloyd William Paul 2. Mr. Dave Ng 	Trading of fire equipment

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Name	Place of incorporation	Shareholder(s) as at the Latest Practicable Date	Director(s) as at the Latest Practicable Date	Principal business
<i>Excluded Companies which are inactive</i>				
Dongguan Gangjin ^{Note 4}	PRC	<ol style="list-style-type: none"> Mr. Dave Ng (80%) Shuai Peixiu* (帥培秀), an Independent Third Party (20%) 	<ol style="list-style-type: none"> Mr. Dave Ng Shuai Peixiu* (帥培秀) Yang Yi* (楊伊), Independent Third Party 	Inactive prior to deregistration
Easy Smart (Macau) ^{Note 5}	Macau	<ol style="list-style-type: none"> Mr. Dave Ng (90%) Mr. Johnny Ng (10%) 	<ol style="list-style-type: none"> Mr. Dave Ng Mr. Johnny Ng 	Inactive prior to dissolution
Shanghai Yijun ^{Note 6}	PRC	Zhang Yudi* (張玉娣), an Independent Third Party (100%)	Mr. Dave Ng	Inactive prior to revocation of business licence
Hope Way Metal	Hong Kong	<ol style="list-style-type: none"> Kwok Chu Kay (an Independent Third Party and an existing employee of our Group) (75%) ^{Note 7} Li Qiaozi, an Independent Third Party (12.5%) Li Rongfeng, an Independent Third Party (12.5%) 	<ol style="list-style-type: none"> Kwok Chu Kay ^{Note 7} Li Qiaozi Li Rongfeng 	Provision of water pipes related metal works prior to inactivity after 2019

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Notes:

1. During the Track Record Period and prior to the transfer by Mr. Dave Ng of his interests in Golden Phoenix to Lai Yui Fai Ben, Golden Phoenix was held as to 70% by Mr. Dave Ng and 30% by Lai Yui Fai Ben, an Independent Third Party. On 29 June 2020, Mr. Dave Ng transferred his 70% interests in Golden Phoenix to Lai Yui Fai Ben and resigned as a director of Golden Phoenix. For details of the transfer, please refer to the section headed “History, Reorganisation and corporate structure — Corporate structure” in this prospectus.
2. Mr. Ng Ching Ho is the father of Mr. Dave Ng and Mr. Vincent Ng, he is therefore a connected person of our Company under the Listing Rules. Our Group had purchased fire protection materials from Tanda International and Warwick Building during the Track Record Period and the purchases will be continued upon the Listing. For details of the purchases, please refer to the section headed “Connected transactions” in this prospectus. Further, Mr. Ng Ching Ho is the husband of Ms. Lim. Ms. Lim is a director of E-Build Technology and had been a director of Easy Smart Engineering until September 2021. Ms. Lim continues to serve our Group as our senior administrative manager and an employment agreement with Ms. Lim for the period up to 30 June 2025 has been made. For details of the employment agreement with Ms. Lim, please refer to the section headed “Connected transactions — Fully exempt continuing connected transactions — (ii) Employment agreement with Ms. Lim” in this prospectus.
3. Mr. Johnny Ng is a brother of Mr. Dave Ng and Mr. Vincent Ng, he is therefore a connected person of our Company under the Listing Rules. Mr. Johnny Ng joined our Group since May 2003 and is a senior quantity surveyor manager of our Group. Notwithstanding his shareholdings and directorship in Greatec Engineering, our Group considers it suitable to enter into an employment agreement with Mr. Johnny Ng for continuing to employ him as our Group’s senior quantity surveyor manager up to 30 June 2025. For details of the employment agreement with Mr. Johnny Ng, please refer to the section headed “Connected transactions — Fully exempt continuing connected transactions — (iii) Employment agreement with Mr. Johnny Ng” in this prospectus.
4. Dongguan Gangjin was inactive prior to its deregistration on 16 March 2021.
5. Easy Smart (Macau) was inactive prior to its dissolution on 17 September 2021.
6. The business licence of Shanghai Yijun was revoked on 20 January 2019. Shanghai Yijun did not have any operation and remained inactive during the Track Record Period. For details of Shanghai Yijun, please refer to the section headed “Directors and senior management — Executive Directors — Mr. Ng Wing Woon Dave” in this prospectus.
7. During the Track Record Period and prior to the transfers by Mr. Dave Ng and an Independent Third Party of their respective interests in Hope Way Metal to Kwok Chu Kay, Hope Way Metal was held as to 25% by Mr. Dave Ng, 25% by Kwok Chu Kay and the remaining 50% by three Independent Third Parties. On 21 December 2020, Mr. Dave Ng transferred his 25% interests in Hope Way Metal to Kwok Chu Kay and Mr. Dave Ng resigned as a director of Hope Way Metal. For details of the transfer, please refer to the section headed “History, Reorganisation and corporate structure — Corporate structure” in this prospectus.
8. During the Track Record Period, Kwok Chu Kay, Johnny Ng and Ng Ching Ho were employees of our Group. As at the Latest Practicable Date, Kwok Chu Kay and Johnny Ng remain as employees of our Group. Ng Ching Ho resigned on 30 September 2021 and his last positions were as salesman and draftsman. Each of them received remuneration package from our Group taking into account their role, responsibilities, duties, workload, time devoted to our Group and the performance of our Group. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, the remuneration (including salaries, allowances, retirement benefit scheme contributions and bonuses) paid by us to Johnny Ng and Ng Ching Ho were as follows: (i) Johnny Ng — approximately HK\$476,000, HK\$482,000, HK\$503,000 and HK\$146,000, respectively; and (ii) Ng Ching Ho — approximately HK\$190,000, HK\$180,000, HK\$45,000 and nil, respectively.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As set out in the table above, Kwok Chu Kay, Johnny Ng and Ng Ching Ho were each the shareholders and directors of certain Excluded Companies as at the Latest Practicable Date. As confirmed by each of Kwok Chu Kay, Johnny Ng and Ng Ching Ho, they were passive investors and did not hold any other positions or have any day to day responsibilities in the Excluded Companies and therefore did not receive any remuneration from the Excluded Companies although they were entitled to dividends in the relevant Excluded Companies.

DELINEATION OF BUSINESS

The operations of our Group are independent of and separate from the Excluded Companies. Our Directors are of the view that there is clear delineation between the Excluded Businesses and our business. The businesses of the Excluded Companies are not injected into our Group as our Directors are of the view that such businesses, which are distinctly different from our core business, neither form part of our core business nor in line with our strategies and objectives of maintaining our established position in the industry as a subcontractor for passive fire protection solutions in Hong Kong for reasons as illustrated below:

Different business natures — The business nature of Excluded Companies is distinguishable from our Company's business nature. During the Track Record Period, the Excluded Companies were either (i) inactive before the deregistration or revocation of business licence; (ii) providing electrical and mechanical engineering works, or water pipes related metal works, or (iii) engaging in general trading of materials, parts and components, fire rating products and fire equipment. The engineering works in the Excluded Businesses refer to specific work tasks which did not involve in passive fire protection works and could be completed separately, whereas the trading business of the Excluded Businesses did not involve in construction and are ancillary and incidental to our passive fire protection works. Although (i) Greatec Engineering has registered as a registered subcontractor with the Construction Industry Council under the trade codes and trade specialties of shutters/doors fabrication and installation — fire rated door, painting — others (fire rated painting), other finishing trades and components — other (fire protection plaster) and other finishing trades and components — others (fire rated partition); and (ii) Tanda International has registered as a registered subcontractor under the trade codes of shutters/doors fabrication and installation and metal work, the other Excluded Companies were not registered subcontractors or specialist trade contractors on the registers of registered subcontractors or specialist trade contractors with the Construction Industry Council. Notwithstanding the registrations of Greatec Engineering and Tanda International as aforesaid, Greatec Engineering and Tanda International were principally engaging in trading of fire protection materials, such as, fire dampers and fire rated boards, during the Track Record Period and as at the Latest Practicable Date that was different from that of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

On the other hand, our business nature is focusing on providing passive fire protection works in Hong Kong and our works involve design, selection, procurement and installation of appropriate materials and components in buildings to reduce or prevent the spread and effects of fire, heat or smoke without requiring detection or activation upon detection. During the Track Record Period, our principal business activity did not involve (i) developing and engaging in other types of engineering works and/or (ii) trading in any material, components, products and equipment, and we do not have any intention to include such businesses as part of our principal business activities in the future.

Different target customers — The target customers of our Group and the Excluded Companies are different. The target customers of our Group are typically main contractors and subcontractors which are in need of our provision of passive fire protection works in the construction sites. In contrast, the target customers of the Excluded Companies are typically private and small medium enterprises or subcontractors which are in need of a supplier of certain materials or the provision of other types of construction and engineering works in the construction sites. Although some of the Excluded Companies may be involved in the same projects or have the same customers as our Group during the Track Record Period, their role and involvement were as suppliers of fire protection materials, metal parts and components and other construction materials to our Group or other contractors as part of their construction works whilst our Group is a subcontractor focused on provision of passive fire protection works. The following table sets out the differences in the principal services provided by our Group and the Excluded Companies to such overlapping customers during the Track Record Period:

Principal services provided by our Group to overlapping customers	Principal services provided by the Excluded Companies to overlapping customers
Provision of passive fire protection works including installation of fire rated boards, fire rated windows, fire rated doors and fire partitions; application of fire resistant paints, fire resistant coatings and fire resistant plasters; installation of fire dampers, smoke dampers and smoke curtains	For Goldin Innovation, Lloyd Asia, Wintech Century, Greatec Engineering, Tanda International, Warwick Building and Dongguan Tanda: supply of smoke/fire dampers, cat ladders, rockwool, intumescent paints, railings and metal parts and components, etc. For Golden Phoenix: supply and installation of plywood blockhead and access panels and supply of acoustic partitions and insulation pads, etc.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Other than our purchase from our related parties as detailed in the section headed “Connected transactions” in this prospectus, our Group also had some suppliers and subcontractors which overlapped with the suppliers and subcontractors of the Excluded Companies during the Track Record Period. Our sales to overlapping customers represent approximately 76.0% of our revenue during the Track Record Period, and our transaction amounts with the overlapping suppliers and subcontractors represent approximately 25.6% of our costs of services (excluding direct labour costs) during the Track Record Period.

To the best of the knowledge, information and belief of our Directors, there were five overlapping projects during the Track Record Period, between our Group and the Excluded Companies, namely (i) Project 3760, a commercial project involving a commercial center at Tsim Sha Tsui; (ii) Project 4155, a commercial project involving a commercial development in Kwun Tong; (iii) Project 4253, a residential project involving residential buildings at Lohas Park; (iv) Project 4966, a public infrastructure and facilities project involving office tower development at an airport in Hong Kong; and (v) Project 4646, a residential project involving a residential development at Ap Lei Chau. These five overlapping projects involved our provision of passive fire protection works and supplying of insulation pads by Golden Phoenix in such projects. Our revenue derived from such projects accounted for less than 5% of our total revenue during the Track Record Period, and the revenue derived from such projects accounted for less than 5% of Golden Phoenix’s total revenue during the Track Record Period. Save for Project 4646, in which both our Group and Golden Phoenix provided services to one common customer in that overlapping project, namely Customer T, and our revenue derived from Customer T in that overlapping project was insignificant and less than HK\$10,000 during the Track Record Period, our Group’s customers in the other four overlapping projects were different from the customers of Golden Phoenix in those projects. It is noted that among those other four customers of Golden Phoenix for the four overlapping projects, one of them, namely Customer Group U, is also our customer in another project during the Track Record Period, and another one, namely Subcontractor C, was one of our five largest subcontractors for other projects during the Track Record Period. We did not engage Customer Group U or Subcontractor C for the relevant overlapping projects and did not receive materials from Customer Group U or Subcontractor C for such projects.

Different form of revenue — The Excluded Companies have different forms of revenue from our Group. Excluding companies which are currently inactive, the Excluded Companies mainly generate their revenue through provision of electrical and mechanical works, water pipes related metal works or sale of materials, products and equipment. However, we mainly generate our revenue from our provision of passive fire protection works.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Difference in control — The composition of the shareholders and the boards of directors of the Excluded Companies with active operations are generally different from that of our Group. Most of such Excluded Companies have different shareholders and directors who are associates of Mr. Dave Ng or Independent Third Parties, whereas our Group was entirely controlled by our Controlling Shareholders and our Board as at the Latest Practicable Date. Though Mr. Dave Ng was a common shareholder and a common director with his positions at Goldin Innovation, Wintech Century and Lloyd Asia as at the Latest Practicable Date, he was merely a minority shareholder and one of the directors and thus, does not have majority control over the voting rights at general meetings, nor over the boards of directors of these three companies. In addition, for Warwick Building, although one of its shareholders and directors is Mr. Ng Ching Ho, being Mr. Dave Ng's associate, Mr. Ng Ching Ho does not have majority control over the voting rights at general meetings, nor over its board.

Operational and financial independence — The Excluded Companies are independently run by the staff of the Excluded Companies. The Excluded Companies also operate independently from our Group without relying on our Group's internal control, financial, accounting, treasury management, procurement, sales and marketing, administration and compliance systems and functions, despite Mr. Dave Ng is a minority shareholder and a director of Goldin Innovation, Wintech Century and Lloyd Asia. During the Track Record Period, we do not have any outstanding collateral or guarantees provided by us for the borrowings of the Excluded Companies. Despite certain advances to Tanda International and Warwick Building during the Track Record Period as disclosed in the section headed "Financial information" in this prospectus, outstanding balances with Warwick Building had been fully settled as of 30 June 2021 and all outstanding balances with Tanda International have been settled in cash in October 2021.

Ongoing and future connected transactions — During the Track Record Period, our Group has certain transactions with certain Excluded Companies for the purchase of passive fire protection materials and metal parts and components. These transactions will be continued upon the Listing and will become continuing connected transactions under the Listing Rules. All of these connected transactions will continue to be conducted on normal commercial terms, based on arm's length negotiations and comparable to those with Independent Third Parties, and will be capable of being satisfactorily monitored by the management of our Group. For details of the continuing connected transactions, please refer to the section headed "Connected transactions" in this prospectus.

Based on the foregoing, our Directors consider that there is clear delineation of the Excluded Businesses and our Group and that the extent of the competition is not extreme and does not have a material impact on our Group's business. The Excluded Companies were not injected into our Group and, as at the Latest Practicable Date, there was no intention to inject the Excluded Companies into our Group in the future.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any rights or interest, or otherwise be involved in any business which may be in competition with our business. For details, please refer to the paragraph headed "Non-competition undertakings" in this section below.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save and except the Related Party Transactions, the partially exempt and fully exempted connected transactions as disclosed in the section headed “Connected transactions” in this prospectus, our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group’s business after the Listing independently from our Controlling Shareholders and their close associates and/or companies controlled by them and at arm’s length from the Excluded Businesses:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. To the best of the knowledge, information and belief of our Directors, there is/was no sharing of banking facilities among each of the Excluded Companies, our Company and our subsidiaries, their shareholders, directors, employees or any of their respective associates. Our Group has sufficient capital to operate our business independently and has adequate internal resources and credit profile to support our daily operations.

During the Track Record Period, our Group has certain amounts due from related companies and amounts due to related parties related to our Controlling Shareholders. Please refer to the sections headed “Financial information — Amounts due from/(to) a Director, a non-controlling shareholder of a subsidiary and related companies” as well as note 20 (Amount(s) due from/to related companies/a Director/a non-controlling shareholder of a subsidiary/a fellow subsidiary) of the Accountants’ Report set out in Appendix I to this prospectus for further details. All outstanding balance was settled as at 30 June 2022.

As at 30 June 2020 and 2022 and 31 October 2022, we had no bank borrowings. Our bank borrowings amounted to approximately HK\$9.7 million as at 30 June 2021 and such bank borrowings were secured by, among others, a personal guarantee executed by Mr. Dave Ng. Our bank borrowings were fully repaid during the year ended 30 June 2022 and the aforesaid personal guarantee provided by Mr. Dave Ng was released on 5 August 2022. In December 2022, a bank overdraft facility was granted to our Group amounting to HK\$5.0 million which was secured by, among others, a personal guarantee executed by Mr. Dave Ng. The said personal guarantee will be released and replaced by corporate guarantee provided by our Company upon Listing. Please refer to the section headed “Financial information — Indebtedness — Bank borrowings” in this prospectus and note 24 (Bank borrowings) to the Accountants’ Report set out in Appendix I to this prospectus for further details.

In view of our Group’s internal resources from our working capital and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Save as disclosed above, for the Track Record Period, our Group has relied principally on our equity capital and cash generated from operations and bank borrowings to carry on our businesses and this is expected to continue after the Listing. Our Directors also believe that our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders after the Listing.

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Based on the above, our Directors are of the view that our Group will be financially independent from our Controlling Shareholders after the Listing.

(ii) Operational independence

We have established our own organisational structure made of individual departments, each with specific areas of responsibilities. We have full rights, hold and enjoy the benefit of all relevant licences and permits for the operation of our business. Our executive Directors confirmed that our Group did not share our operational resources, such as marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates as well as the Excluded Companies during the Track Record Period, save that (1) Kwok Chu Kay, Mr. Johnny Ng, Ng Ching Ho and Mr. Dave Ng, each being an employee of our Group during the Track Record Period, are also directors of some of the Excluded Companies during the Track Record Period and up to the Latest Practicable Date, details of which are set out in the table under the paragraph headed “Controlling Shareholders of our Company” in this section above; and (2) historically Golden Phoenix and Hope Way Metal named one of our leased properties during the Track Record Period as their registered address but they neither paid nor bore any rental or fee as they had used it for administrative filing purposes given that they had other addresses which served as their actual business premises, and thus had no actual use of our leased property other than for administrative filing purposes. As at the Latest Practicable Date, our Group no longer shared any property with any of the Excluded Companies. Some of the Excluded Companies shared resources for better resource management and given their common shareholders and/or directors such as using the same properties among themselves as their registered address or shared staff such as Fung Siu Man who is a director of both Goldin Innovation and its subsidiary Dongguan Tanda.

To the best of the knowledge, information and belief of our Directors, during the Track Record Period and up to the Latest Practicable Date, the Excluded Companies shared the following resources among themselves:

- (i) Goldin Innovation and its subsidiary, Dongguan Tanda shared a staff, Fung Siu Man. Given that he is employed by Dongguan Tanda, it paid his remuneration and Dongguan Tanda did not charge Goldin Innovation related staff costs for the shared staff.
- (ii) Tanda International, Lloyd Asia and Wintech Century shared a staff, being the son of Cheung Wai (a common shareholder among these three companies). Given that he is employed by Wintech Century, it paid his remuneration and Wintech Century did not charge Tanda International and Lloyd Asia related staff costs for the shared staff.
- (iii) Lloyd Asia rented a premise at Mok Cheong Street, To Kwa Wan, Kowloon and used it as its registered address and actual business premises. It also shared this premise without charge with: (a) Wintech Century for use as its registered address and actual business premise during the Track Record Period and up to the Latest Practicable Date; (b) Tanda International for use as the actual business premises of its branch office from 26 July 2019 and up to the Latest

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Practicable Date; and (c) Golden Phoenix and Hope Way Metal for temporary use as their respective registered address from 6 August 2021 to 6 October 2021.

- (iv) Tanda International (from before the commencement of the Track Record Period and up to 12 March 2020) and Goldin Innovation (from 13 March 2020 and up to the Latest Practicable Date) rented a premise at Lei Muk Road, Kwai Chung, New Territories and used it as their respective registered address and actual business premises during the Track Record Period and up to the Latest Practicable Date. It also shared this premise without charge with: (a) Goldin Innovation (as shared by Tanda International as tenant) for use as its registered address and actual business premises during the Track Record Period and up to the Latest Practicable Date; (b) Tanda International (as shared by Goldin Innovation as tenant) for use as its registered address and actual business premises during the Track Record Period and up to the Latest Practicable Date; and (c) Warwick Building for use as its registered address and actual business premises since 6 August 2021 and up to the Latest Practicable Date.

Golden Phoenix and Hope Way Metal also shared certain premises during the Track Record Period and up to the Latest Practicable Date but this was due to their respective engagement of the same service provider for annual registered address and mailbox services and thus shared the same premise as their respective registered address (a) at Wing Hong Street, Lai Chi Kok, Kowloon from 7 October 2021 to 3 January 2022; and (b) after the service provider changed address, at Cheung Yue Street, Lai Chi Kok, Kowloon since 4 January 2022 and up to the Latest Practicable Date.

Save as disclosed aforesaid, to the best of the knowledge, information and belief of our Directors as at the Latest Practicable Date, there is/was no sharing of resources, plant and equipment, manpower and banking facilities among each of the Excluded Companies, our Company and our subsidiaries, their shareholders, directors, employees or any of their respective associates.

Further, we have also established a set of internal controls to facilitate the effective operation of its business. To the best of the knowledge, information and belief of our Directors, our customers are all independent from our Controlling Shareholders and we do not rely on our Controlling Shareholders or their close associates and have independent access to our customers and suppliers. Our Directors are of the view that we are able to operate independently from our Controlling Shareholders after the Listing. Save as disclosed in the section headed "Connected transactions" in this prospectus, our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

(iii) Management independence

We have an independent management team, comprising our executive Directors and senior management who have substantial experience and expertise in our business, to implement our Group's policies and strategies. Our management team is able to implement our Group's policies and strategies and performs its roles in our Company independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We aim at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board consists of five Directors, comprising two executive Directors, and three independent non-executive Directors. Notwithstanding this, our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time, and have substantial experience in the industry in which we are engaged. Although certain employees of our Group or associates of Mr. Dave Ng may have positions at the Excluded Companies as mentioned in the paragraph headed "Controlling Shareholders of our Company" in this section, (i) none of our Directors or senior management holds any directorship or senior management role in the Excluded Companies save for Mr. Dave Ng who is one of the directors of Goldin Innovation, Wintech Century and Lloyd Asia; and (ii) there is/was no overlapping directors, key management personnel and shareholders between the Excluded Companies and our Group except the minority shareholding and directorship of Mr. Dave Ng in Goldin Innovation, Wintech Century and Lloyd Asia. Despite Mr. Dave Ng was one of the directors of Goldin Innovation, Wintech Century and Lloyd Asia, he does not expect to devote substantial time in their management going forward save for attending from time to time their board meetings. It is expected that he will spend substantially all of his working time in the operations of our Group after Listing. In the event that Mr. Dave Ng is required to abstain himself from any board meeting on any matter which may give rise to a potential conflict of interest with Goldin Innovation, Wintech Century and Lloyd Asia, our remaining Directors will have sufficient expertise and experience to fully consider on such matter. The three independent non-executive Directors have extensive experience in different areas or professions. The main function of the Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. The balance of power and authority is ensured by the operation of our Board and the senior management.

In addition, our Company will have one common director with Lofty Profit, namely Mr. Dave Ng. Despite the common directorship, our Directors believe that management independence between our Company and Lofty Profit will be maintained as Lofty Profit is an investment holding company, the only significant business interest of which is our Group. Furthermore, each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. The three independent non-executive Directors will also bring independent judgement to the decision-making process of the Board. We have also adopted certain corporate governance measures for conflict situations. Please refer to the paragraph headed "Corporate governance measures" below in this section for further details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our senior management are set out in the section headed "Directors and senior management" in this prospectus.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role independently.

(iv) Independence of major customers, suppliers and subcontractors

In relation to the business relationships between our Group and certain Excluded Companies during the Track Record Period and which will continue after Listing, please refer to the section headed "Connected transactions" in this prospectus. Apart from certain Excluded Companies which are/were suppliers of our Group, there were certain other customers, suppliers and subcontractors of each of the Excluded Companies during the Track Record Period which overlapped with the customers, suppliers and subcontractors of our Group and other Excluded Companies during the Track Record Period. Despite the above, our Directors are of the view that our Group does not unduly rely on our Controlling Shareholders and/or their respective associates and/or the Excluded Companies in respect of our relationship with major customers, suppliers and subcontractors.

To the best of the knowledge, information and belief of our Directors, save and except the business relationships in the usual and ordinary course of business and as disclosed in this Prospectus, none of our Group's customers, suppliers and subcontractors (including their shareholders, directors, senior management or any of their respective associates) during the Track Record Period have any other past or present relationship (including, but not limited to, family, financing, employment or otherwise) with any of our Controlling Shareholders, Directors, senior management of our Group or any of their respective associates.

NO COMPETING INTERESTS

Apart from our Group's business and save for the Excluded Businesses, our Controlling Shareholders and our Directors do not have any interest in a business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition among our Group, each of our Controlling Shareholders entered into the Deed of Non-competition on 12 April 2023 in favour of our Company (for itself and as trustee for and on behalf of an subsidiaries). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, each of our Controlling Shareholders irrevocably and unconditionally undertakes to our Company (for itself and as trustee for and on behalf of our subsidiaries) that he/it shall not, and shall procure his/its close associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time after the Listing, save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Controlling Shareholders (individually or with his/its close associates).

Each of our Controlling Shareholders further undertakes that if he/it or his/its close associates (other than any member of our Group) is offered or becomes aware of any business opportunity which may compete with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time after the Listing, he/it shall (and he/it shall procure his/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify our Controlling Shareholder(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunities). Each of our Controlling Shareholders and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted in the quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The Deed of Non-competition is conditional upon the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and the conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable waived) and the Underwriting Agreements not being terminated in accordance with their respective terms.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate when (i) a Controlling Shareholder whether individually or taken together with his or its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) our independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertaking by our Controlling Shareholders and all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition;
- (ii) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company or by way of announcement to the public;
- (iv) our Controlling Shareholders have undertaken to provide an annual confirmation to our Company confirming that each of our Controlling Shareholders and his/its close associates have not breached the terms of the undertakings contained in the Deed of Non-competition;
- (v) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders (or their respective associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (vi) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and senior management” in this prospectus; and
- (vii) our Company has appointed Grande Capital Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section headed “Directors and senior management — Compliance adviser” in this prospectus for further details in relation to the appointment of the compliance adviser.

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of five Directors comprising two executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

DIRECTORS

The following table sets out the information regarding our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment	Roles and responsibilities	Relationship with our Controlling Shareholders, other Directors and senior management
Mr. Ng Wing Woon Dave (吳榮煥先生)	50	Executive Director, Chairman of our Board and chief executive officer	1 June 2001	7 September 2021 and re-designated as an executive Director on 19 October 2021	overall management, strategic and major decisions on the development and planning and operation of our Group, the chairperson of the Nomination Committee and a member of the Remuneration Committee	Mr. Dave Ng is one of our Controlling Shareholders and brother of Mr. Vincent Ng
Mr. Ng Wing Shing (吳榮盛先生)	42	Executive Director	1 March 2008	19 October 2021	business development, contract administration and managing quality management system of our Group	Mr. Vincent Ng is the brother of Mr. Dave Ng
Prof. Pong Kam Keung (龐錦強教授)	61	Independent non-executive Director	12 April 2023	12 April 2023	chairperson of the Remuneration Committee and a member of the Audit Committee and a member of Nomination Committee, and supervising and providing independent advice on the operation and management of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of joining our Group	Date of appointment	Roles and responsibilities	Relationship with our Controlling Shareholders, other Directors and senior management
Ms. Cheng Shing Yan (鄭承欣女士)	48	Independent non-executive Director	12 April 2023	12 April 2023	a member of the Audit Committee and a member of the Nomination Committee, and supervising and providing independent advice on the operation and management of our Group	Nil
Mr. Lo Chi Wang (羅智弘先生)	45	Independent non-executive Director	12 April 2023	12 April 2023	chairperson of the Audit Committee and a member of the Remuneration Committee, and supervising and providing independent advice on the operation and management of our Group	Nil

Executive Directors

Mr. Ng Wing Woon Dave (吳榮煥先生) (“Mr. Dave Ng”) (also known as Mr. Ng Wing Woon (吳榮煥先生)), aged 50, is a founder of our Group, our executive Director, Chairman, chief executive officer and one of our Controlling Shareholders. Mr. Dave Ng is the chairperson of the Nomination Committee and also a member of the Remuneration Committee. He was appointed as a Director on 7 September 2021, and was re-designated as an executive Director on 19 October 2021. Mr. Dave Ng is also the director of Easy Smart Engineering, Easy Smart Maintenance, E-Build Technology, Lofty Profit, Rise Nation, On Thrive Holdings and Total Wisdom. Mr. Dave Ng is responsible for the overall management, strategic and major decisions on the development and planning and operation of our Group. Mr. Dave Ng found Easy Smart Engineering, one of our operating subsidiaries, in June 2001 and he has been a director of Easy Smart Engineering since its incorporation.

Mr. Dave Ng possesses over 21 years of experience in passive fire protection works. Mr. Dave Ng plays an instrumental role in defining our Group’s business strategies and managing our business and operations. His years of experience in the passive fire protection works industry and business management have enabled him to develop insights in the macro economic environment and the market trends which may help our Group identify opportunities in the market. Mr. Dave Ng has undertaken to devote sufficient time and attention to carry out his responsibilities in our Group.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. Dave Ng worked with Protec Engineering Limited from November 1998 to June 2001 and his last position was a sales engineer, and with Vibron Limited as a production engineer from 1995 to 1997.

Mr. Dave Ng graduated from the Hong Kong Polytechnic University with a Higher Diploma in Manufacturing Engineering in October 1995.

Set out below are companies established in Hong Kong or the PRC which were dissolved or had their business licence revoked when Mr. Dave Ng was a director and/or supervisor.

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business immediately before revocation of business licence/ dissolution</u>	<u>Date of revocation of business licence/dissolution</u>	<u>Nature of dissolution</u>
Synergy Beverage Incorporation Limited 新立飲品有限公司	Hong Kong	Inactive	4 July 2014	Dissolved by deregistration under Section 291AA of the Predecessor Companies Ordinance ^(Note 1)
Fully Zone Limited 盛境有限公司	Hong Kong	Inactive	24 July 2015	Dissolved by deregistration under Section 751 of the Companies Ordinance ^(Note 2)
Shanghai Yijun Building Materials Co., Ltd. 上海怡俊建材有限公司	PRC	Inactive	20 January 2019	Revocation of business licence due to inactivity for over six months
Dongguan Gangjin Smart Equipment Limited* 東莞市港進智能設備有限公司	PRC	Inactive	16 March 2021	Deregistration
Easy Smart (Macau) Engineering Limited 怡俊(澳門)工程有限公司	Macau	Inactive	17 September 2021	Dissolved

DIRECTORS AND SENIOR MANAGEMENT

Notes:

1. Under Section 291AA of the Predecessor Companies Ordinance (Chapter 32), an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.
2. Under Section 751 of the Companies Ordinance, an application for deregistration can only be made if in addition to the conditions for Section 291AA of the Predecessor Companies Ordinance mentioned in note (1) above, (a) the company is not a party to any legal proceedings; (b) the company's assets do not consist of any immovable property situate in Hong Kong; (c) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong; and (d) the company is not a company specified under Section 749 of the Companies Ordinance.

As confirmed by Mr. Dave Ng, the above dissolved or deregistered companies were solvent and in compliance with all relevant laws and regulations immediately before their dissolutions, that there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and de-registration of the above companies.

Concerning Shanghai Yijun, Shanghai Yijun was established in May 2008, which Mr. Dave Ng is its sole director and legal representative, whereas the sole shareholder is an Independent Third Party. Upon establishment, Shanghai Yijun was permitted under its business licence to operate construction materials, machine apparatus, fire protection equipment, sale and installation of air-conditioners, commercial consultation and import and export businesses of goods and techniques for ten years from 4 May 2008 to 3 May 2018. Mr. Dave Ng confirmed that he and the sole shareholder of Shanghai Yijun first became acquainted in around 2005/2006. In around early 2008, the sole shareholder of Shanghai Yijun approached Mr. Dave Ng as she intended to establish a limited liability company in Shanghai, the PRC, for operating fire protection related business. As the sole shareholder of Shanghai Yijun knew that Mr. Dave Ng possessed experience in the passive fire protection works industry, she invited Mr. Dave Ng to be the legal representative and the sole director of Shanghai Yijun on the understanding that Mr. Dave Ng was only required to advise on its business strategy given that he lived in Hong Kong with his time and attention was focusing on the operations of our Group and the operations of Shanghai Yijun would be conducted by Shanghai Yijun's staff in the PRC. Although Mr. Dave Ng did not have an economic interest in Shanghai Yijun, the sole shareholder of Shanghai Yijun orally agreed to further discuss with Mr. Dave Ng on his remuneration package if the business became successful. However, the business of Shanghai Yijun did not perform as expected. Shanghai Yijun did not record revenue for the financial years ended 31 December 2013, 2014 and 2015 and its business operation ceased in about 2015-2016. Pursuant to an administrative penalty decision made by the Administration for Market Supervision of Shanghai City Jiading District in November 2018 and as advised by our PRC Legal Advisers, the revocation of its business licence in January 2019 was because Shanghai Yijun had ceased its business for over six consecutive months.

DIRECTORS AND SENIOR MANAGEMENT

Notwithstanding Shanghai Yijun obtained an approval from The State Taxation Administration of Shanghai City Jiading District in November 2021 confirming the tax deregistration of Shanghai Yijun, the deregistration of Shanghai Yijun cannot proceed under the PRC Company Law (《中華人民共和國公司法》), as advised by our PRC Legal Advisers, unless with the formation of a liquidation group which the sole shareholder of Shanghai Yijun shall be one of its members and the written resolution from the sole shareholder of Shanghai Yijun. However, Mr. Dave Ng and such sole shareholder had not contacted with each other after Shanghai Yijun ceased business in about 2015-2016, and despite effort have been made, the sole shareholder cannot be contacted for deregistration of Shanghai Yijun after the approval for tax deregistration was obtained and as at the Latest Practicable Date.

Although the liquidation and deregistration of Shanghai Yijun cannot be proceeded with due to the reason provided above, Shanghai Yijun has not been subject to any civil and criminal litigation against it based on the result of a PRC litigation searches conducted by an independent search agent in September 2021 and in August 2022, and there was no claim made against Shanghai Yijun and Shanghai Yijun did not have any outstanding debts owed to the creditors when it applied for tax deregistration in November 2021 and as at the Latest Practicable Date as confirmed by Mr. Dave Ng.

As advised by our PRC Legal Advisers, if a shareholder of a company limited by shares or a director and a controlling shareholder of a joint stock limited company fails to form a liquidation group for commencement of liquidation within the statutory period which results in depreciation, loss or damage of the company's assets, the Supreme People's Court shall support a claim against the shareholder, the director and the controlling shareholder for indemnifying the creditors for the company's debts owed to the creditors pursuant to the Regulation 2 of the Supreme People's Court of the PRC on certain questions of the applicability by the PRC Company Law (《最高人民法院關於適用〈中華人民共和國公司法〉若干問題的規定(二)》). As Mr. Dave Ng is a director of Shanghai Yijun and a liquidation group cannot be formed for the liquidation of Shanghai Yijun, he may be potentially liable if the above were to occur.

Furthermore, as Mr. Dave Ng was the legal representative of Shanghai Yijun when the business licence of Shanghai Yijun was revoked in January 2019, as advised by our PRC Legal Advisers, according to the PRC Company Law, any person who while acting as the legal representative of a PRC company was personally responsible for the revocation of such company's business licence due to violation of laws or regulations cannot act as legal representative, director, supervisor or member of senior management in other PRC companies for three years from the date of revocation of a business licence.

DIRECTORS AND SENIOR MANAGEMENT

Notwithstanding the aforesaid provisions, our PRC Legal Advisers are of the view that:

- (1) the possibility of the applicability of the Regulation 2 of the Supreme People's Court of the PRC on certain questions of the applicability by the PRC Company Law on Mr. Dave Ng for indemnifying the creditors for Shanghai Yijun's debt (if any) is low for the reasons that (a) Shanghai Yijun has ceased business in about 2015-2016; (b) Shanghai Yijun has obtained the approval from The State Taxation Administration of Shanghai City Jiading District confirming the tax deregistration of Shanghai Yijun; (c) no record of civil and criminal litigation was made against Shanghai Yijun as revealed from the independent search results; and (d) no claim was made against Shanghai Yijun as confirmed by Mr. Dave Ng; and
- (2) the restriction on Mr. Dave Ng to act as legal representative, director, supervisor or member of senior management under the PRC Company Law is not applicable to Mr. Dave Ng because of the expiration of the three-year period on 19 January 2022, and that the PRC Company Law does not extend to his directorship of companies established in Hong Kong, the Cayman Islands and the British Virgin Islands.

Based on (i) the result of the PRC litigation searches conducted by independent search agent in September 2021, August 2022 and April 2023 revealing no record of civil or criminal litigation against Shanghai Yijun and Mr. Dave Ng in the PRC; (ii) the aforesaid advice from our PRC Legal Advisers; (iii) our Group having no operations in the PRC during the Track Record Period and up to the Latest Practicable Date; (iv) the confirmation from Mr. Dave Ng that there is no fraudulent act or misfeasance on his part leading to the revocation of business licence of Shanghai Yijun and he is not aware of any actual or potential claim that has been or will be made against him as a result of the revocation of business licence of Shanghai Yijun; and (v) our Hong Kong Legal Advisers agreed with the PRC Legal Advisers' views that the status of Shanghai Yijun does not affect the legality and validity of Mr. Dave Ng as a director of companies established in Hong Kong, the Cayman Islands, our Hong Kong Legal Advisers therefore are of the view that the status of Shanghai Yijun will not have any adverse impact on the suitability of Mr. Dave Ng as a Director of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Wing Shing (吳榮盛先生) (“Mr. Vincent Ng”), aged 42, is our Executive Director. He was appointed as an executive Director on 19 October 2021. Mr. Vincent Ng is responsible for business development, contract administration and managing quality management system of our Group. Mr. Vincent Ng joined our Group since 1 March 2008.

Mr. Vincent Ng has over 14 years of experience in passive fire protection works. He joined our Group as a sales engineer of Easy Smart Engineering from 1 March 2008 and has been a sales manager of Easy Smart Maintenance since 1 April 2011. Prior to joining our Group, Mr. Vincent Ng worked at PCCW-HKT Limited from May 2006 to February 2008 with his last position as an operational improvement executive.

Mr. Vincent Ng graduated from Curtin University of Technology, Western Australia, with a degree of Bachelor of Science in Computer Science on 30 September 2005.

Set out below is a company incorporated in Hong Kong which was dissolved when Mr. Vincent Ng was a director.

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business immediately before dissolution</u>	<u>Date of dissolution</u>	<u>Nature of dissolution</u>
Alcove World Wines Limited 百醇國際酒業有限公司	Hong Kong	Inactive	10 June 2011	Dissolved by deregistration under Section 291AA of the Predecessor Companies Ordinance. <i>(Note)</i>

Note: Under Section 291AA of the Predecessor Companies Ordinance (Chapter 32), an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

As confirmed by Mr. Vincent Ng, the above deregistered company was solvent and in compliance with all relevant laws and regulations immediately before its dissolution, that there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and de-registration of the above company.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Prof. Pong Kam Keung (龐錦強教授), aged 61, was appointed as our independent non-executive Director on 12 April 2023. He is also the chairperson of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee. Prof. Pong is responsible for supervising our Group's compliance, corporate governance matters and providing independent advice to our Group.

Prof. Pong is currently an independent non-executive director of Shuang Yun Holdings Limited (stock code: 1706), a company listed on the Main Board, from October 2017 and an independent non-executive director of HKE Holdings Limited (stock code: 1726), a company listed on the Main Board, from March 2018. He was a non-executive director of Star Group Company Limited (stock code: 1560) (previously known as Star Properties Group (Cayman Islands) Limited), a company listed on the Main Board, from March 2016 to September 2018 and an executive director from September 2018 to November 2021, an executive director of Sundart Holdings Limited (stock code: 1568), a company listed on the Main Board, from July 2015 to February 2018, an independent non-executive director of Central Holding Group Co. Ltd. (stock code: 1735) (previously known as Wang Yang Holdings Limited), a company listed on the Main Board, from March 2018 to October 2019, and an independent non-executive director of FSM Holdings Limited (stock code: 1721), a company listed on the Main Board, from June 2018 to April 2020.

Prof. Pong is also an adjunct professor in the Division of Environment and Sustainability of The Hong Kong University of Science and Technology since December 2013. Prof. Pong has been a member of the Disciplinary Tribunal of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) since January 2015. Prof. Pong was the chief prosecution officer of the Environment Protection Department of the HK Government from July 2004 to July 2013. He served as advisor to the Hong Kong Architecture Centre from 2011 to 2013. He was also a member of the Appeal Tribunal Panel of the Planning and Lands Branch of the Development Bureau of the HK Government from February 2007 to November 2012.

Prof. Pong obtained a degree of Bachelor of Science in Building Surveying from the Thames Polytechnic, United Kingdom in June 1989, a degree of Master of Science in Property Investment from the City University of London, United Kingdom in December 1993 and a Doctor of Philosophy degree from the Hong Kong Polytechnic University in September 2019.

Prof. Pong has been a fellow of the Hong Kong Institute of Construction Managers since August 2016, the Hong Kong Institute of Facility Management since July 2000, the Hong Kong Institute of Surveyors since November 2000, the Chartered Institute of Arbitrators since January 2001, and the Royal Institution of Chartered Surveyors since January 2006.

DIRECTORS AND SENIOR MANAGEMENT

The following companies were dissolved other than by members' voluntary winding up when Prof. Pong was a director:

Name of company	Nature of business	Date of dissolution	Details
Master Bright International Limited	Engineering	30 December 2005	It was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance due to cessation of business. <i>(Note)</i>
New China Investment Limited	Property agency	30 December 2005	It was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance due to cessation of business. <i>(Note)</i>

Note: Under Section 291AA of the Predecessor Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

As confirmed by Prof. Pong, the above companies were solvent as at the time of dissolution. Prof. Pong also confirmed that there is no wrongful act on his part leading to the above dissolution of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and de-registration of the above companies.

Ms. Cheng Shing Yan (鄭承欣女士), aged 48, was appointed as our independent non-executive Director on 12 April 2023. She is also a member of the Audit Committee and a member of the Nomination Committee. Ms. Cheng is responsible for supervising our Group's compliance, corporate governance matters and providing independent advice to our Group. Ms. Cheng has over 18 years of experiences in accounting and finance.

Ms. Cheng held different positions at Ernst & Young Business Services Ltd. from January 2004 to December 2008, where she last served as a manager of the assurance and advisory business services department. She then worked at Baker Tilly Hong Kong Business Services Limited as a manager from March 2009 to July 2010. She held different positions at SHINEWING (HK) CPA Limited from November 2010 to April 2016, where she last served as a senior audit manager. Ms. Cheng joined the group of Sanroc International Holdings Limited (now known as Zhaobangji Properties Holdings Limited) ("**Sanroc**"), a company listed on the Main Board (stock code: 1660), and served as the chief financial officer from April 2016 to April 2018. Since April 2018, she has been the chief financial officer of Sanroc International (Hong Kong) Limited and certain subsidiaries of Sanroc.

DIRECTORS AND SENIOR MANAGEMENT

From April 2016 to April 2018 and from April 2017 to April 2018, she was the company secretary and an executive director of Sanroc, respectively. From June 2017 to October 2019, she was an independent non-executive director of China Shenghai Food Holdings Company Limited (now known as China Shenghai Group Limited), a company listed on the Main Board (stock code: 1676). Since October 2017, she has been an independent non-executive director of Putian Communication Group Limited, a company listed on the Main Board (stock code: 1720). Since February 2021, she has been an independent non-executive director of Kwong Luen Engineering Holdings Limited, a company listed on the Main Board (stock code: 1413).

Ms. Cheng obtained a degree of Master of Arts in International Accounting from the City University of Hong Kong in November 2003. She was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in July 2003, a fellow of The Association of Chartered Certified Accountants in December 2005, an associate of The Chartered Governance Institute in June 2017 and an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) in June 2017.

Mr. Lo Chi Wang (羅智弘先生), aged 45, was appointed as our independent non-executive Director on 12 April 2023. He is also the chairperson of the Audit Committee and a member of the Remuneration Committee. Mr. Lo is responsible for supervising our Group's compliance, corporate governance matters and providing independent advice to our Group. Mr. Lo has over 20 years of experiences in accounting and finance.

Mr. Lo is the group financial controller and the assistant general manager of the financial service division and Hong Kong factory of Hung Fook Tong Group Holdings Limited (stock code: 1446), a company listed on the Main Board, and he joined as a financial controller in May 2015. Mr. Lo's experience in auditing and tax advisory services was gained from his various positions in Deloitte Touche Tohmatsu from February 2002 to June 2009. Mr. Lo was the financial controller of Hanyu China Holdings Limited from June 2009 to October 2013, and Sino Grandness Food Industry Group Limited (stock code: T4B, a company listed on the Singapore Stock Exchange), from November 2013 to February 2015.

Mr. Lo received a degree of Bachelor of Arts (Honour) in Accounting from the Manchester Metropolitan University in Manchester, United Kingdom in June 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in May 2014, the Hong Kong Institute of Certified Public Accountants in September 2017, and CPA Australia in July 2022. He has been appointed as a co-opted member of the Moderation Sub-groups under the Qualification and Examinations Board ("QEB") of the Hong Kong Institute of Certified Public Accountants for the years 2019 and 2020 and a board member of QEB for the years 2021 and 2022.

Mr. Lo is currently an independent non-executive director of Novacon Technology Group Limited (stock code: 8635), a company listed on GEM of the Stock Exchange since March 2019, and was an independent non-executive director of Dragon Rise Group Holdings Limited (stock code: 6829), a company listed on the Main Board, from January 2018 to September 2021.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this prospectus, each of our Directors confirmed that he/she (i) did not hold any directorships in the last three years prior to the Latest Practicable Date in public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position with us or other members of our Group; and (iii) does not have any relationship with other Directors, members of our senior management, substantial shareholders or Controlling Shareholder, if any, of our Company or any interest in our shares within the meaning of Part XV of the SFO.

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquires, save as disclosed above, there is no information on any of our Directors which needs to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules as at the Latest Practicable Date, and there are no other matters that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules in connection with his/her appointment as a Director as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets out the information regarding our senior management:

Name	Age	Present position	Date of joining our Group	Roles and responsibilities	Relationship with our Controlling Shareholders, other Director(s) and senior management
Mr. Pang Yuk (彭彧先生)	35	Financial controller	20 July 2021	supervising all finance activities and accounting operations, and providing financial strategic planning, budgeting and forecast	Nil
Mr. Lui Siu Fung (雷兆鋒先生)	42	Project manager	18 April 2017	project tendering, procurement, budget control and planning of project programmes	Nil

Mr. Pang Yuk (彭彧先生), aged 35, joined our Group as a financial controller in July 2021. Mr. Pang has more than eight years of experience in accounting, corporate finance, compliance and company secretarial work. Mr. Pang joined Shenzhen Zhongzhuang Construction Group Co., Ltd. (深圳市中裝建設集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002822.SZ) from April 2014 to December 2018 with his last position as assistant general manager of overseas division. Mr. Pang worked at Shenzhen Zhongzhuang Construction Investment Holding Group Company Limited* (深圳市中裝建設投資控股集團有限公司) from January 2019 to March 2020 with his last position as chief investment officer – overseas division.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang obtained his degree of Bachelor of Commerce in Corporate Finance and degree of Master of Commerce in Accounting at the University of Adelaide, Australia in December 2008 and December 2009 respectively.

Mr. Pang has been a Certified Public Accountant Australia since 5 July 2013.

Mr. Lui Siu Fung (雷兆鋒先生), aged 42, joined our Group since April 2017. Mr. Lui has more than five years of experience in passive fire protection works. Mr. Lui joined Easy Smart Engineering as a site foreman in April 2017. He was promoted to the position as our assistant project manager on 1 February 2018 and was further promoted to the position of our project manager on 4 February 2020.

Mr. Lui obtained a certificate of graduation for secondary education in Canada in June 1998 and has completed a course in elementary (metal work) manual metal arc weld-polishing crash course organised by the Hong Kong Federation of Trade Union Spare Time Study Centre and the Hong Kong Plumbing General Union in December 2016.

Prior to joining our Group, Mr. Lui was an account executive at CITIC Securities International Company Limited from February 2011 to April 2017. Although Mr. Lui did not have any working experience in the passive fire protection works industry prior to joining our Group, he was experienced in handling customers' liaison, relations and orders with his previous work as an account executive and possessed of administrative and liaison skills, which our Group considered Mr. Lui capable of managing customers' relations, handling basic site administrative duties as a site foreman. Coupled with his training in the construction industry, Mr. Lui joined our Group as a site foreman and was promoted to the position as a project manager overseeing projects of our Group in around 3 years.

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, save as disclosed above, none of the above member of senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Leung Hoi Ki (梁海祺先生), aged 34, has been appointed as our company secretary on 12 April 2023. He is primarily responsible for the company secretarial matters of our Group. Mr. Leung received a degree of Bachelor of Business Administration in Accountancy from the Hong Kong Polytechnic University in October 2011. Mr. Leung was admitted as a member of the Hong Kong Institute of Certified Public Accountant in March 2015. He has over 11 years of accounting experience. From September 2011 to May 2014, he was employed by BDO Limited, with his last position being a senior associate of the Assurance Department. From June 2014 to November 2014, Mr. Leung worked as a senior accountant at the assurance department of Ernst & Young. From December 2014 to January 2017, he was employed by KPMG with his last position being a manager. Mr. Leung has been the company secretary of Dragon Rise Group Holdings Limited, a company listed on the Main Board (stock code: 6829) since March 2017.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

AUTHORISED REPRESENTATIVES

Mr. Dave Ng and Mr. Leung Hoi Ki have been appointed as the authorised representatives of our Company under Rule 3.05 of the Listing Rules.

BOARD DIVERSITY POLICY

Our Company will adopt a board diversity policy (the “**Board Diversity Policy**”) upon the Listing, which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Our Company recognises and embraces the benefits of the Board diversity to enhance the quality of its performance and endeavours to ensure that the Board has appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. Our Company seeks to achieve Board diversity by selection of candidates for the Board through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service. Our Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board comprises of five members, including one female independent non-executive Director. Our Directors also have a balanced mix of knowledge and experience in the areas of engineering, finance and accounting. Mr. Dave Ng and Mr. Vincent Ng are brothers. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board.

We will review the objectives of the Board Diversity Policy from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. After Listing, the Nomination Committee will review the Board Diversity Policy and monitor its implementation. The Nomination Committee will report annually to Shareholders in the corporate governance section of the annual report of our Company on the process adopted in relation to the Board appointments and the consideration given to the diversity on the Board.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by

DIRECTORS AND SENIOR MANAGEMENT

comparable companies, the respective responsibilities of our Directors and senior management and the performance of our Group.

After the Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, discretionary bonuses and other benefits-in-kind, including our contribution to the pension schemes on their behalf. We determine the remuneration of our Directors and senior management with reference to their respective experience, responsibilities, individual performance, salaries paid by comparable companies and the performance of our Group.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, the aggregate remuneration (including Directors' fees, salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions) paid by our Group to our Directors, were approximately HK\$1.0 million, HK\$1.0 million, HK\$1.0 million and HK\$0.3 million, respectively.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, the aggregate remuneration paid by our Group to the five highest paid individuals (excluding one, one, one and nil Director for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 respectively) of our Group were approximately HK\$2.3 million, HK\$2.8 million, HK\$3.2 million and HK\$1.7 million, respectively.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<i>Executive Directors</i>	
Mr. Dave Ng	720,000
Mr. Vincent Ng	720,000
<i>Independent non-executive Directors</i>	
Prof. Pong Kam Keung	180,000
Ms. Cheng Shing Yan	180,000
Mr. Lo Chi Wang	180,000

During the Track Record Period, no other payments have been paid by our Group to, or received by, our Directors or our five highest paid individuals as: (i) an inducement to join or upon joining our group or (ii) as compensation for the loss of office as a director or management of any members of our Group.

DIRECTORS AND SENIOR MANAGEMENT

None of our Directors waived any emoluments for the Track Record Period. Save as disclosed above, no other payments have been made or are payable by any member of our Group to any of our Directors and the five highest paid individuals during the Track Record Period.

For information on Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to note 11 to the Accountants' Report set out in Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate remuneration of our Directors paid or payable (including benefits in kind but excluding any discretionary bonus which may be paid) in respect of the year ending 30 June 2023 is estimated to be approximately HK\$1.1 million.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 12 April 2023 with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process and internal control and risk management system, nominate and monitor external auditors, provide advice and comments to the Board on matters related to corporate governance and perform other duties and responsibilities as assigned by the Board.

The Audit Committee consists of three members, being Mr. Lo Chi Wang, Prof. Pong Kam Keung and Ms. Cheng Shing Yan. Mr. Lo Chi Wang currently serves as the chairperson of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 12 April 2023 with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on our Company's policy for human resource management as well as establish and review policies and structure in relation to remuneration for our directors and senior management.

The Remuneration Committee consists of three members, being Prof. Pong Kam Keung, Mr. Dave Ng and Mr. Lo Chi Wang. Prof. Pong Kam Keung currently serves as the chairperson of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on 12 April 2023 with its written terms of reference in compliance with the Corporate Governance Code and the

DIRECTORS AND SENIOR MANAGEMENT

Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The Nomination Committee consists of three members, being Mr. Dave Ng, Prof. Pong Kam Keung and Ms. Cheng Shing Yan. Mr. Dave Ng currently serves as the chairperson of the Nomination Committee.

CORPORATE GOVERNANCE CODE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interest of the Shareholders. To accomplish this, save for the deviation from the Code Provision C.2.1, our Company intends to comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after Listing.

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Dave Ng is both our Chairman and the chief executive officer. In view that Mr. Dave Ng being the founder of our Group and has been operating and managing the business as well as overall financial and strategic planning of our Group, since the incorporation of Easy Smart Engineering in around June 2001, our Board believes that the vesting of the roles of Chairman and chief executive officer in Mr. Dave Ng is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors which represents over half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of our Chairman and chief executive officer as required by Code Provision C.2.1 of Appendix 14 to the Listing Rules.

Our Directors will continue to review and consider splitting the roles of chairperson and chief executive of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole. Our Directors will further review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. For details of the principal terms of the Share Option Scheme, please refer to the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have agreed to appoint Grande Capital Limited to be our compliance adviser upon the Listing in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance adviser's agreement with Grande Capital Limited prior to the Listing Date, the material terms of which are as follows:

- (a) the term of appointment of the compliance adviser will commence on the Listing Date of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (b) the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations; and
- (c) our Company will consult with and, if necessary, seek advice from Grande Capital Limited as our compliance adviser in the following circumstances:
 - (i) before the publication of any regulatory announcement, circular or financial report;
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
 - (iv) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have interests or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange (as the case may be) under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

LONG POSITION IN THE SHARES

Name of Shareholder	Capacity/ nature of interest	Shares held as at the Latest Practicable Date		Immediately after the completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised)	
		Number of Shares held/ interested in	Percentage of interest in our Company	Number of Shares <i>(Note 1)</i>	Percentage of interest in our Company
Mr. Dave Ng <i>(Note 2)</i>	Interest in controlled corporation	10,000	100%	306,000,000(L)	75%
Ms. Wong Kwai Ying	Interest of a spouse	10,000	100%	306,000,000(L)	75%
Lofty Profit	Beneficial owner	10,000	100%	306,000,000(L)	75%

Notes:

1. The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in such Shares.
2. Lofty Profit is wholly owned by Mr. Dave Ng. Therefore, Mr. Dave Ng is deemed to be interested in the same number of Shares in which Lofty Profit is interested in under the SFO upon the Listing.

For details of our Director's interests in Shares immediately following the completion of the Share Offer, please refer to the section headed "Statutory and general information — C. Further information about Substantial Shareholders, Directors and experts" in Appendix IV to this prospectus.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange (as the case may be) under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries. None of our Directors are aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme, will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
5,000,000,000	Shares	50,000,000
<i>Issued and to be issued, fully paid or credited as fully paid</i>		<i>HK\$</i>
10,000	Shares in issue as at the date of this prospectus	100
305,990,000	Shares to be issued under the Capitalisation Issue	3,059,900
102,000,000	Shares to be issued under the Share Offer	1,020,000
<i>Total:</i>		
408,000,000	Shares in issue immediately upon Listing	4,080,000

Assuming the Over-allotment Option is exercised in full (without taking into account any Shares which may be issued pursuant to the exercise of any option granted under the Share Option Scheme), our issued share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer and the exercise of the Over-allotment Option:

		<i>HK\$</i>
10,000	Shares in issue at the date of this prospectus	100
305,990,000	Shares to be issued pursuant to the Capitalisation Issue	3,059,900
102,000,000	Shares to be issued pursuant to the Share Offer	1,020,000
15,300,000	Shares to be issued upon exercise of the Over-allotment Option in full	153,000
423,300,000	<i>Total</i>	4,233,000

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules). The 102,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon the Listing.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 12 April 2023, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 305,990,000 Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company at the close of business on 12 April 2023 in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$3,059,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

RANKING

The Offer Shares and our Shares that may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme will rank *pari passu* in all respects with all our existing Shares in issue or to be issued as mentioned in this prospectus, and, in particular, will be entitled in full for all dividends and other distributions declared hereafter, made or paid on our Shares in respect of a record date which falls after the date of Listing save for entitlements under the Capitalisation Issue.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that such number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or an issue of Shares pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Amended and Restated Memorandum and Articles of Association of our Company or pursuant to a specific authority granted by shareholders of our Company in general meeting or pursuant to the Share Offer and the Capitalisation Issue) shall not exceed the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company (if any) pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase Shares” below in this section.

SHARE CAPITAL

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 12 April 2023” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with such number of Shares not exceeding 10% of the total number of Shares in issue of our Company immediately following the completion of the Capitalisation Issue and the Share Offer but excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and general information — A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to issue and repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraphs headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 12 April 2023” and “Statutory and general information — A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the principal terms of the Share Option Scheme, please refer to the paragraph headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the Articles of our Company. Accordingly, we will hold general meetings as prescribed for under the Articles. For further details, please refer to the section headed “Summary of the constitution of our Company and Cayman Islands company law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's consolidated financial statements as at 30 June 2020, 2021 and 2022 and 31 October 2022 and for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, including the notes thereto, included in Appendix I to this prospectus. The consolidated financial statements of our Group have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this prospectus.

OVERVIEW

We are a subcontractor specialising in passive fire protection works in Hong Kong. According to the Industry Report, our Group was ranked first for the year ended 30 June 2022 in terms of revenue with a market share of approximately 25.5% of the passive fire protection works market in Hong Kong.

Founded in 2001, our focus is on the provision of passive fire protection solutions. During the Track Record Period, our revenue was derived from passive fire protection works and passive fire protection information services. Most of our revenue was derived from the provision of passive fire protection works as a subcontractor in projects.

During the Track Record Period, we had 109, 108, 103 and 63 projects for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively. Our revenue was approximately HK\$150.0 million, HK\$186.5 million, HK\$240.5 million and HK\$131.0 million for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively. Our net profit was approximately HK\$27.8 million, HK\$40.9 million, HK\$28.8 million and HK\$23.4 million over the same respective periods. For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including, in particular, the following:

Availability of new construction projects in Hong Kong

Our performance depends on the development of the passive fire protection works industry which is in turn affected by the availability of new construction projects in Hong Kong particularly projects involving new buildings. During the Track Record Period over 90% of our revenue was derived from projects involving new buildings. Such developments and the availability of construction projects will be determined by a variety of factors including the continuation of major market drivers. According to the Industry Report, major market drivers for our industry include favourable fire safety policies in the form of subsidies offered by the HK Government to property owners conducive to

FINANCIAL INFORMATION

undertaking fire safety enhancement measures, and investments in public infrastructure and facilities by the HK Government (for further details, please refer to the section headed “Industry overview — Overview of passive fire protection works market — Market drivers and opportunities” in this prospectus). Our industry is also impacted by the general conditions and prospects of Hong Kong’s economy as well as the willingness of property developers and other private owners to initiate new construction projects.

If there are any significant changes to the above or other factors including the termination of such favourable policies, reduction or termination of public investments plans or downturn of Hong Kong’s economy, there is no assurance that the availability of construction projects in Hong Kong would not decrease significantly and our Group’s business, financial position and prospects may be materially and adversely affected.

Accuracy in our estimation of time and costs involved in projects

When determining our tender price, our management would estimate the time and costs involved in a project taking into account (i) scope of services, specifications by customers and complexity of the projects; (ii) project location and area of coverage; (iii) work schedule; (iv) our relationship with the customer; (v) the estimated costs of procuring passive fire protection materials and engaging subcontractors; (vi) prevailing market rates; and (vii) our budget and determination of a reasonable profit margin. For further details on our pricing strategy, please refer to the section headed “Business — Pricing policy and credit management — Pricing policy” in this prospectus.

There is no assurance that the actual amount of time and costs incurred during the implementation stage of our projects would not exceed our estimations at the tendering stage. Although the pricing of our services is on a cost plus basis (i.e. based on an initially estimated cost at the tendering stage plus a target margin), the actual amount of time and costs incurred during the implementation stage of a project may be adversely affected by many factors, including unforeseen site conditions, adverse weather conditions, accidents, non-performance by our subcontractors, unexpected significant increase in costs of materials agreed to be borne by us, and other unforeseen problems and circumstances. Any material inaccurate estimation of the time and costs involved in a project at the tendering stage may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group’s financial condition, profitability and liquidity.

Availability and performance of our subcontractors and our ability to complete works on time

We engage subcontractors in carrying out all of the more labour intensive works including installation and application of passive fire protection materials and components. In order to control and ensure the quality of our services and timely completion of the works of our subcontractors, our Group selects subcontractors from our approved list of suppliers and our project management team supervises their work. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our subcontracting fees amounted to approximately HK\$55.5 million, HK\$59.7 million, HK\$95.5 million and HK\$52.3 million, respectively, representing approximately 50.6%, 45.2%, 53.5% and 54.1% of our costs of services, respectively. There is no assurance that the work quality of our subcontractors can always meet our requirements, or that they will always strictly follow all of our instructions and not engage in misconduct. We may not be

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able to monitor the performance of our subcontractors as directly and efficiently as we do with our own staff. We may be affected by the non-performance, inappropriate or poor quality of works rendered by our subcontractors. Such events could impact our profitability, financial performance and reputation. In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be materially and adversely affected.

Impairment of financial and contract assets

Our Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, other receivables and deposits, amount due from a director, amounts due from related companies 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.

Assessments are done based on our 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.

Our Group always assesses lifetime ECL for trade receivables and contract assets. Except for those credit-impaired debtors that are assessed individually, the lifetime ECL on remaining debtors are assessed on a collective basis through grouping of debtors based on our Group’s internal credit ratings. The contract assets related to unbilled work in progress and retention receivables withheld by customers have substantially the same risk characteristics as the trade receivables for the same types of contracts. Our Group has therefore concluded that the expected loss rates for the trade receivables and the contract assets are estimated on the same basis. For further details, please refer to the notes 4 and 30B to the Accountants’ Report as set out in Appendix I to this prospectus.

Fluctuation in our costs of services

Our costs of services mainly comprise (i) subcontracting fees; (ii) costs of materials; and (iii) direct labour costs. Please refer to the section headed “Business — Our suppliers” in this prospectus for further details of our suppliers and subcontractors.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of subcontracting fees and direct labour costs, and costs of materials (being the major components of our costs of services) on our profit before tax during the Track Record Period.

The hypothetical fluctuation rates for subcontracting fees and direct labour costs are set at 0.4% and 7.9%, respectively, which correspond to the approximate minimum and maximum percentage changes in the average daily wages of workers engaged in the passive fire protection works market in Hong Kong from 2016 to 2021 as stated in the Industry Report, and are therefore, considered reasonable for the purpose of this sensitivity analysis. The hypothetical fluctuation rates for costs of materials are set at 5.8% and 17.3%, respectively, which correspond to the approximate minimum and maximum

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CAGR in the average price of each of firestop acrylic sealant, fire rated boards, fire rated doors, fire resistant paints, coatings and plasters, and fire retardant wool in Hong Kong from 2016 to 2021 as stated in the Industry Report (for further details, please refer to the section headed “Industry overview — Cost analysis” in this prospectus), and are therefore, considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting fees	-0.4%	-7.9%	+0.4%	+7.9%
Increase/(decrease) in profit before tax (Note)	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 30 June 2020	222	4,384	(222)	(4,384)
For the year ended 30 June 2021	239	4,713	(239)	(4,713)
For the year ended 30 June 2022	382	7,545	(382)	(7,545)
For the four months ended 31 October 2022	209	4,134	(209)	(4,134)
Hypothetical fluctuations in direct labour costs	-0.4%	-7.9%	+0.4%	+7.9%
Increase/(decrease) in profit before tax (Note)	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 30 June 2020	36	703	(36)	(703)
For the year ended 30 June 2021	44	863	(44)	(863)
For the year ended 30 June 2022	51	1,014	(51)	(1,014)
For the four months ended 31 October 2022	19	371	(19)	(371)
Hypothetical fluctuations in costs of materials	-5.8%	-17.3%	+5.8%	+17.3%
Increase/(decrease) in profit before tax (Note)	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 30 June 2020	2,518	7,511	(2,518)	(7,511)
For the year ended 30 June 2021	3,362	10,028	(3,362)	(10,028)
For the year ended 30 June 2022	3,850	11,483	(3,850)	(11,483)
For the four months ended 31 October 2022	2,022	6,031	(2,022)	(6,031)

Note: Our profit before tax was approximately HK\$33.0 million, HK\$48.4 million, HK\$37.3 million and HK\$28.2 million for the years ended 30 June 2020 and 2021 and 2022 and the four months ended 31 October 2022, respectively.

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BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL INFORMATION

Please refer to note 2 to the Accountants' Report as set out in Appendix I to this prospectus.

SIGNIFICANT ACCOUNTING POLICIES

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in details in note 4 to the Accountants' Report as set out in Appendix I to this prospectus.

Revenue recognition

Revenue from provision of passive fire protection works are recognised over time as our Group creates or enhances an asset that the customer controls as our Group performs. Revenue is recognised based on the stage of completion of the contract using input method. The stage of completion is determined as the proportion of the costs incurred for the works (i.e. direct labour costs, subcontracting fees and costs of materials incurred) performed to date relative to the estimated total costs to complete the services.

Revenue from passive fire protection information services is recognised over time as the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs. Our Group bills a fixed amount for each month of service provided. Our Group elected to apply the practical expedient by recognising revenue in our amount to which our Group has right to invoice.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our revenue was approximately HK\$150.0 million, HK\$186.5 million, HK\$240.5 million and HK\$131.0 million, respectively.

Impairment assessment on trade receivables and contract assets

Trade receivables and contract assets which are identified as credit-impaired are assessed for expected credit loss individually. For the remaining trade receivables and contract assets, collective assessment is performed by grouping debtors with reference to the past due condition and scale (including whether they are listed or unlisted) of the debtors based on our Group's internal credit ratings. Estimated loss rates are estimated based on historical observed default rates of the debtors with the study of other corporates' default and recovery data from international credit-rating agencies including Moody's and forward-looking information for example, expected gross domestic product growth. The provision of expected credit loss is sensitive to changes in estimates. The information about our Group's trade receivables, contract assets and expected credit loss assessment is disclosed in notes 16, 19 and 30B to the Accountants' Report as set out in Appendix I to this prospectus.

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SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of profit or loss and other comprehensive income during the years/periods indicated are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	149,993	186,466	240,465	81,146	131,048
Costs of services	(109,627)	(131,915)	(178,590)	(58,267)	(96,764)
Gross profit	40,366	54,551	61,875	22,879	34,284
Other income	479	2,697	511	63	702
Impairment losses, net of reversal	74	(169)	(718)	(2)	(140)
Administrative expenses	(7,879)	(7,999)	(9,943)	(3,656)	(3,734)
Finance costs	(18)	(105)	(346)	(123)	(24)
Listing expenses	–	–	(14,191)	(8,311)	(2,953)
Other expenses	(37)	(561)	93	–	85
Profit before taxation	32,985	48,414	37,281	10,850	28,220
Income tax expense	(5,188)	(7,503)	(8,445)	(3,201)	(4,787)
Profit and total comprehensive income for the year/period	<u>27,797</u>	<u>40,911</u>	<u>28,836</u>	<u>7,649</u>	<u>23,433</u>
Profit and total comprehensive income for the year/period attributable to:					
Owner of our Company	27,541	40,513	28,766	7,579	23,433
Non-controlling interest	256	398	70	70	–
Earnings per share attributable to equity owner of our Company – Basic (<i>HK cents</i>)	<u>9.00</u>	<u>13.24</u>	<u>9.40</u>	<u>2.48</u>	<u>7.66</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was derived from passive fire protection works and passive fire protection information services. The following table sets out a breakdown of our revenue during the years/periods indicated:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Passive fire protection works	149,985	186,175	240,145	81,039	130,934
Passive fire protection information services	8	291	320	107	114
Total	149,993	186,466	240,465	81,146	131,048

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The following table sets forth a breakdown of our top 20 projects in terms of the revenue contribution during the Track Record Period in descending order with respect to their total revenue contribution for the Track Record Period:

Project no.	Location	Total contract value ^{Note 1}	Revenue contribution					For the Track Record Period	Status as at the Latest Practicable Date ^{Note 2}
			For the year ended 30 June			For the four months ended 31 October 2022	For the Track Record Period		
			2020	2021	2022				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
4876	A logistics centre at an airport in Hong Kong	115,197	-	4,838	40,276	67,253	112,367	Completed	
4979	A commercial complex at an airport in Hong Kong	56,543	-	7,350	12,495	18,273	38,118	Completed	
5046	Temporary quarantine facilities at Penny's Bay	37,187	-	37,187	-	-	37,187	Completed	
4539	A sports park at Kai Tak	59,928	-	7,870	16,887	9,427	34,184	In progress	
4659	A power station at Lamma Island	31,418	19,286	10,283	170	1,123	30,862	Completed	
4171	Public rental housing redevelopment at Pak Tin Estate	36,010	20,042	5,894	2,250	2,448	30,634	Completed	
4806	A passenger terminal at an airport in Hong Kong	29,900	660	7,447	14,530	4,943	27,580	Completed	
5161	A transitional housing project at Yuen Long	29,593	-	-	25,695	1,007	26,702	Completed	
5024	Temporary quarantine facilities at Penny's Bay	22,879	-	21,122	1,757	-	22,879	Completed	
5015	A power station at Lamma Island	31,261	-	3,549	16,268	1,023	20,840	In progress	
4637	A market in Central District	18,563	9,680	5,761	2,657	440	18,538	Completed	
4692	Public rental housing development in Chai Wan	15,679	472	5,978	7,144	2,085	15,679	Completed	
4938	A commercial building redevelopment at Tsim Sha Tsui	15,585	-	8,100	7,485	-	15,585	Completed	
4253	Residential buildings at Lohas Park	21,842	7,358	2,718	3,770	-	13,846	Completed	
5324	Residential development at Hiram's Highway in Sai Kung	13,590	-	-	13,590	-	13,590	Completed	
4686	A commercial building at Taikoo Place	12,968	27	2,306	9,006	1,629	12,968	Completed	
4433	A high speed rail link at West Kowloon	91,532	12,160	-	-	-	12,160	Completed	

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Project no.	Location	Total contract value ^{Note 1}	Revenue contribution					For the Track Record Period	Status as at the Latest Practicable Date ^{Note 2}
			For the year ended 30 June			For the four months ended 31 October 2022	For the Track Record Period		
			2020	2021	2022	2022			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
4128	Public rental housing development at Shek Kip Mei Estate	22,161	7,723	1,064	1,000	212	9,999	Completed	
4069	Home Ownership Scheme flats at Kai Tak	27,919	8,001	190	-	-	8,191	Completed	
4448	Public rental housing development in Fanling	7,831	-	3,258	4,186	387	7,831	Completed	

Notes:

- (1) The total contract value is subject to adjustments based on final accounts.
- (2) All of the above completed projects are considered practically completed with reference to the last payment certificate obtained by us and if we ceased to have incurred any cost for over two months for the relevant project subsequently.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, we recognised revenue of approximately HK\$49.3 million, HK\$44.3 million, HK\$32.6 million and HK\$46.9 million from variation orders, respectively, representing approximately 32.8%, 23.8%, 13.5% and 35.8% of our total revenue, respectively.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our revenue during the Track Record Period.

Costs of services

The table below sets forth a breakdown of our costs of services during the years/periods:

	Year ended 30 June						Four months ended 31 October			
	2020		2021		2022		2021		2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Subcontracting fees	55,497	50.6	59,661	45.2	95,509	53.5	33,612	57.7	52,330	54.1
Costs of materials	43,414	39.6	57,966	44.0	66,377	37.2	19,941	34.2	34,861	36.0
Direct labour costs	8,902	8.1	10,927	8.3	12,836	7.2	3,764	6.5	4,701	4.9
Others	1,814	1.7	3,361	2.5	3,868	2.1	950	1.6	4,872	5.0
Total	109,627	100.0	131,915	100.0	178,590	100.0	58,267	100.0	96,764	100.0

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Our costs of services during the Track Record Period mainly comprised:

- (a) subcontracting fees, which represented costs of engaging subcontractors to conduct the labour intensive works to be undertaken by us for our projects such as installation and application of the passive fire protection materials and components (for further details, please refer to the section headed “Business — Our suppliers — Reasons for subcontracting” in this prospectus);
- (b) costs of materials, which represented costs of purchasing materials used for performing passive fire protection works and such materials mainly comprise fire rated boards, fire resistant paints, fire resistant plasters, fire retardant wool, dampers, metal parts and components and pre-cast concrete;
- (c) direct labour costs, which represented the salaries and benefits to our staff who were involved in our passive fire protection works; and
- (d) others, which represented various other miscellaneous expenses relevant to the provision of our works which mainly comprise charges by other professional parties for works performed by them such as for the creation of drawings and structural calculations, transportation, testing and rental of scaffolding equipment.

Gross profit and gross profit margin

During the Track Record Period, our overall gross profit grew steadily while our overall gross profit margin remained relatively stable and in general ranged from 20% to 30%. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our overall gross profit was approximately HK\$40.4 million, HK\$54.6 million, HK\$61.9 million and HK\$34.3 million, respectively, and our overall gross profit margin was approximately 26.9%, 29.3%, 25.7% and 26.2% for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively.

For the fluctuations of our overall gross profit and overall gross profit margin during the Track Record Period, please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section.

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The following table sets out a breakdown of the revenue, gross profit and gross profit margin for passive fire protection works by reference to public sector and private sector projects and types of properties involved during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October								
	2020			2021			2022			2021			2022		
	Revenue	Gross profit margin	%	Revenue	Gross profit margin	%	Revenue	Gross profit margin	%	Revenue	Gross profit margin	%	Revenue	Gross profit margin	%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Public															
- Public infrastructure and facilities	53,568	16,051	30.0	100,164	36,185	36.1	67,496	17,703	25.8	33,967	9,328	27.5	25,192	5,948	23.6
- Residential	46,881	8,985	19.2	23,653	4,315	18.2	44,090	10,292	23.3	10,649	2,110	19.8	8,457	3,198	37.8
Sub-total	100,449	25,036	24.9	123,817	40,500	32.7	111,586	27,995	24.8	44,616	11,438	25.6	33,649	9,146	27.2
Private															
- Commercial and industrial	11,372	4,674	41.1	32,530	7,731	23.8	80,874	21,585	26.7	21,116	7,091	33.6	90,032	23,017	25.6
- Residential	18,878	5,634	29.8	15,951	3,755	23.5	30,885	7,649	24.8	7,662	2,357	30.8	5,032	1,217	24.2
- Public infrastructure and facilities ^{Note}	19,286	5,014	26.0	13,877	2,274	16.4	16,800	4,326	25.8	7,645	1,887	24.7	2,221	790	35.6
Sub-total	49,536	15,322	30.9	62,358	13,760	22.1	128,559	33,560	26.1	36,423	11,335	31.1	97,285	25,024	25.7
Total	149,985	40,358	26.9	186,175	54,260	29.1	240,145	61,555	25.5	81,039	22,773	28.1	130,934	34,170	26.1

Note: Revenue derived from these private sector public infrastructure and facilities projects mainly related to two projects involving a power station where the project owner is a subsidiary of a fixed single investment trust listed on the Stock Exchange with a focus on the power industry.

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During the Track Record Period, the gross profit margin for our Group's typical projects in general ranged from 20% to 30%. However, there were significant differences in (i) the gross profit margins between different projects for reasons such as different pricing policy and the tender price agreed at the tendering stage; and (ii) the gross profit margins for the same project from period to period for reasons such as variation orders and other subsequent developments during the course of the projects:

(i) Our pricing policy and the tender price agreed at the tendering stage

Our pricing policy takes into account the following major factors: (a) scope of services, specifications by customers and complexity of the projects; (b) project location and area of coverage; (c) work schedule; (d) our Group's relationship with the customer; (e) the estimated costs of procuring passive fire protection materials and engaging subcontractors; (f) prevailing market rates; and (g) our Group's budget and determination of a reasonable profit margin. Thus, when determining the reasonable profit margin as part of our Group's tender submission, we may determine a higher or lower gross profit margin for the project based on the above factors. For projects where we accepted a relatively lower gross profit margin, our Group will first determine that such projects remain profit-making and take into account relevant factors such as whether the contract sum of the project (and thus the resulting revenue derived from the project) is relatively large. During the Track Record Period, the gross profit margins of certain major projects were lower than the range of the gross profit margin of our Group's typical projects due to our assessment made at the tendering stage taking into account all relevant factors including: (a) the project was at a landmark location and thus potentially beneficial for building our brand recognition (gross profit margin of around 5% to 10% at the tendering stage); and (b) the project was considered relatively simple in terms of work required (gross profit margin of around 10% to 25% at the tendering stage). On the other hand, the gross profit margins of certain major projects were higher than the range of the gross profit margin of our Group's typical projects due to our assessment at the tendering stage taking into account all relevant factors including the relatively short timeline for completion of certain works or the whole project as required by our customers (gross profit margin of around 30% to 45% at the tendering stage).

(ii) Variation orders and other subsequent developments during the course of the projects

Despite the initial estimated gross profit margin at the tendering stage, the gross profit margin for projects from period to period and overall may be impacted by subsequent developments, particularly whether there are subsequent variation orders, the amount of such variation orders and whether the terms of such variation orders agreed are favourable to our Group (for further details of the risk factor due to variation orders on our revenue and gross profit margin, please refer to the section headed "Risk factors — Risks relating to our business — Our revenue and profit margin are subject to fluctuations driven by variation orders" in this prospectus).

In addition, the gross profit margins of each project from period to period may be impacted by the time needed for our customers to (i) complete their internal approval process for the certification of works relating to variation orders as it impacts when we can

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recognise revenue for such works; and (ii) prepare the final accounts for projects given that in contracts involving remeasurement, our Group will be paid based on the actual amount of works done in the project, which generally will be measured by our customers upon completion of the works and around the time of preparing the final accounts.

During the Track Record Period, we experienced a relatively lower gross profit margin for certain projects during a period as compared to a previous period as our customers for such projects have not yet agreed on the contract values for particular works conducted for variation orders for such projects and thus, the costs relating to variation orders have been incurred but the revenue for such works has not been fully recognised yet in the absence of certification of the value of the variation orders. Furthermore, we experienced a relatively higher gross profit margin for certain projects during a period as compared to a previous period(s) around the time when our customers had subsequently prepared the final accounts for projects and measured the value of works completed by us (including variation orders) as the related costs had been incurred by us in previous period(s).

Other income

The table below sets forth a breakdown of our other income during the years/periods indicated:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Government subsidies	477	2,666	388	20	701
Sundry income	–	1	1	1	1
Interest income	2	21	122	42	–
Gain on disposal of property, plant and equipment	–	9	–	–	–
	479	2,697	511	63	702
Total	479	2,697	511	63	702

The government subsidies include subsidies of approximately HK\$0.5 million, HK\$2.7 million, HK\$0.4 million and HK\$0.7 million for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively, under the employment support schemes of the HK Government and the construction business support scheme of the Construction Industry Council.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our other income.

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Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the years/periods indicated:

	Year ended 30 June						Four months ended 31 October			
	2020		2021		2022		2021		2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Staff costs, including directors' emoluments	3,637	46.1	3,806	47.6	4,443	44.7	1,443	39.5	1,366	36.6
Entertainment	1,338	17.0	1,200	15.0	1,162	11.7	562	15.4	613	16.4
Depreciation	1,082	13.7	1,355	16.9	1,731	17.4	547	15.0	622	16.7
Motor vehicle expenses	532	6.7	507	6.3	519	5.2	137	3.7	239	6.4
Insurance	220	2.8	180	2.3	321	3.2	278	7.6	311	8.3
Professional fees	252	3.2	133	1.7	591	6.0	170	4.6	237	6.4
Travelling expenses	56	0.7	83	1.0	59	0.6	23	0.6	26	0.7
Others	762	9.8	735	9.2	1,117	11.2	496	13.6	320	8.5
Total	7,879	100.0	7,999	100.0	9,943	100.0	3,656	100.0	3,734	100.0

Our administrative expenses during the Track Record Period mainly comprised:

- (a) staff costs, including directors' emoluments, which mainly represented salaries, pension scheme contributions, staff welfare payments, medical expenses, and bonuses provided to our Directors, administrative and back office staff;
- (b) entertainment, which mainly represented expenses in relation to the relationship building with our existing and potential customers;
- (c) depreciation, which mainly represented depreciation charges for our right-of-use assets (i.e. leasing of premises for workshop and warehouse purposes and general office) and fixed assets such as our motor vehicles and office equipment;
- (d) motor vehicle expenses, which mainly represented the repair and maintenance costs, parking costs and costs of fuel relating to our motor vehicles;
- (e) insurance, which represented insurance premiums for insurance policies maintained by our Group including employees' compensation insurance, motor insurance and medical insurance;

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- (f) professional fees, which mainly represented audit, company secretarial, consultancy fees and other professional services fees;
- (g) traveling expenses, which mainly represented costs in relation to traveling for our staff; and
- (h) others, which represented various expenses, such as expenses for sundry (including software subscription fees), utilities, donations, printing, stationery and other miscellaneous expenses, etc.

Entertainment expenses

Our entertainment expenses during the Track Record Period can be broadly categorised into expenses for (i) meals and drinks; (ii) gift-related items including festive edible products and hampers and flower bouquets; and (iii) the customary giving of red packets around Chinese New Year. Over 70% of our entertainment expenses during the Track Record Period was incurred by Mr. Dave Ng, our executive Director, as he was involved in attending events with our existing or potential customers to build a good relationship with them and over 90% of such expenses incurred by him related to expenses for meals and drinks.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, the entertainment expenses attributable to expenses incurred by Mr. Dave Ng was approximately HK\$1.0 million, HK\$0.9 million, HK\$0.7 million and HK\$0.6 million, respectively, of which approximately HK\$1.0 million, HK\$0.8 million, HK\$0.7 million and HK\$0.6 million, respectively, related to meals and drinks and the remaining amount related to gift-related expenses.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, the entertainment expenses attributable to the aggregate expenses incurred by 15 other staff was approximately HK\$0.2 million, HK\$0.2 million, HK\$0.3 million and HK\$46,000, respectively, of which approximately HK\$0.2 million, HK\$0.2 million, HK\$0.1 million and nil, respectively, related to gift-related expenses and the remaining amount related to meals and drinks expenses.

For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, the entertainment expenses related to the giving of red packets were approximately HK\$0.1 million, HK\$0.1 million, HK\$0.1 million and nil, respectively.

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Impairment losses, net of reversal

Our impairment losses, net of reversal represent net impairment losses recognised or reversed in respect of trade receivables and contract assets.

The table below sets forth a breakdown of our impairment losses during the years/periods indicated:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Impairment losses, net of reversal, arising from:					
Trade receivables	(5)	(77)	(599)	(29)	(163)
Contract assets	79	(92)	(119)	27	23
	74	(169)	(718)	(2)	(140)

Our impairment losses, net or reversal, arising from the full impairment of the outstanding trade receivables due from a customer of approximately HK\$0.6 million who has defaulted in payment for the year ended 30 June 2022.

Finance costs

Our finance costs during the Track Record Period represented interest expenses relating to our bank borrowings and lease liabilities, and the table below sets forth a breakdown of our finance costs during the years/periods indicated:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Interests on:					
– Bank borrowings	–	66	325	115	–
– Lease liabilities	18	39	21	8	24
	18	105	346	123	24

For details of our interest-bearing bank borrowings and lease liabilities, please refer to the paragraph headed “Indebtedness” in this section.

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Other expenses

Our other expenses during the Track Record Period represented the provision for tax penalty based on the management's best estimates of our Group's liability for late submission of the profits tax returns to the IRD and failure to inform the IRD of the chargeability of profits tax. The amount of approximately HK\$93,000 and HK\$85,000 for the year ended 30 June 2022 and the four months ended 31 October 2022, respectively, represents the reversals of over-provision of tax penalty previously provided based on the additional tax assessment issued by the IRD in respect of such late filing and such failure to inform the chargeability of profits tax (as the case may be) (for further details, please refer to the section headed "Business — Non-compliance" in this prospectus).

Income tax expenses

Pursuant to the rules and regulations of the Cayman Islands and BVI, our Group is not subject to any income tax in the Cayman Islands and BVI. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period except for Easy Smart Engineering which was qualified under the two-tiered profits tax rates regime, under which the first HK\$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

The income tax expenses during the years/periods indicated could be reconciled to the profit before tax as follows:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Hong Kong Profits Tax					
– Current tax	5,575	7,524	8,232	2,949	4,764
– Over-provision in prior years/periods	–	–	–	–	62
Deferred tax	(387)	(21)	213	252	(39)
	5,188	7,503	8,445	3,201	4,787

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Our effective tax rate had decreased from approximately 15.7% for the year ended 30 June 2020 to approximately 15.5% for the year ended 30 June 2021 but increased to approximately 22.7% for the year ended 30 June 2022. Our effective tax rate had decreased from approximately 29.5% for the four months ended 31 October 2021 to approximately 17.0% for the four months ended 31 October 2022. The lower effective tax rate for the years ended 30 June 2020 and 2021 was mainly due to the non-taxable subsidies from the employment support schemes of the HK Government and the construction business support scheme of the Construction Industry Council received by us. The higher effective tax rate for the year ended 30 June 2022 as compared to the year ended 30 June 2021 was mainly due to the non-tax deductible Listing expenses incurred of approximately HK\$14.2 million for the year ended 30 June 2022. The lower effective tax rate for the four months ended 31 October 2022 as compared to the four months ended 31 October 2021 was mainly due to (i) the relatively higher non-tax deductible Listing expenses incurred of approximately HK\$8.3 million for the four months ended 31 October 2021 as compared to approximately HK\$3.0 million for the four months ended 31 October 2022; and (ii) the larger amount of non-taxable subsidies from an employment support scheme of the HK Government received by us of approximately HK\$701,000 for the four months ended 31 October 2022 as compared to approximately HK\$20,000 for the four months ended 31 October 2021.

Tax refiling of Easy Smart Maintenance for year of assessment 2018/19

Background

Our Group has two principal operating subsidiaries, namely Easy Smart Engineering and Easy Smart Maintenance, with over 90% of our revenue and profit during the Track Record Period generated from Easy Smart Engineering. In the past and until the appointment of our Group's financial controller in 2021, the relevant accounting and taxation matters were handled by the accounting personnel who did not possess extensive technical and specialised knowledge and skills nor professional accounting qualification. The financial statements of Easy Smart Maintenance prepared under the SME-FRS were audited by its statutory auditor at the relevant time. During the Track Record Period, the profit tax return and computation of Easy Smart Maintenance for the year ended 31 August 2018 (the "**Relevant Period**") were prepared and submitted to the IRD based on the financial statements audited by its former statutory auditor.

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During the preparation of the financial statements for the subsequent financial period (i.e. ten months ended 30 June 2019, the financial year end date of which was changed from 31 August to 30 June to align with other subsidiaries of our Group) by Easy Smart Maintenance and the audit of such account by the new statutory auditor of Easy Smart Maintenance, certain prior year adjustments for the Relevant Period were identified and reflected in the audited financial statements for the ten months ended 30 June 2019 which mainly included: (i) adjustment on revenue in relation to certain retention receivables that had not been received and recorded; and (ii) adjustment on revenue and direct costs arising from certain direct costs which had been incurred but not yet paid and recorded. The impact on the assessable profits arising from the prior year adjustments for Easy Smart Maintenance are summarised below:

Financial period	Assessable loss previously reported (A)	Revised assessable profits (B)	Tax loss brought forward from the previous year of assessment (C)	Revised net assessable profits (D = B + C)	Approximate tax payable (E = D x 16.5%)	Net tax payable
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
For the year ended						
31 August 2018	2.0 million	0.34 million	0.31 million ^(Note 1)	0.03 million	6,000	Nil ^(Note 2)

Notes:

- (1) Easy Smart Maintenance had tax loss brought forward of approximately HK\$0.31 million from the year ended 31 August 2017 mainly because it generated revenue of approximately HK\$9.5 million only mainly due to delay in the schedule of two major projects, resulting in net loss of approximately HK\$0.31 million based on its audited financial statements for the year ended 31 August 2017.
- (2) After taking into account the one-off tax reduction of 100% of profits tax, subject to ceiling of HK\$20,000 for the year of assessment 2018/19, Easy Smart Maintenance had nil tax payable for the year ended 31 August 2018.

To rectify the tax positions of Easy Smart Maintenance due to the prior year adjustments above, we engaged an internationally recognised and reputable accounting firm to assist us with handling the tax refiling due to the aforesaid prior year adjustments and appointed such firm as a tax representative on a short term basis for such purpose (“**Refiling Tax Representative**”). With the assistance of the Refiling Tax Representative, we prepared and submitted the revised profits tax computation for the Relevant Period to voluntarily inform the IRD of the assessable profits understated. The revised profits tax computation have been submitted to the IRD in October 2021 and the IRD subsequently issued an Assessment Demanding Final Tax for the year of assessment 2018/19 to us in February 2022 (“**ESM 2018/19 Tax Assessment**”). Based on the ESM 2018/19 Tax Assessment, there was no tax payable by Easy Smart Maintenance for the year of assessment 2018/19. To assist Easy Smart Maintenance in its tax filings on an ongoing basis, we engaged a local company secretarial service provider to handle its tax affairs (including annual tax filings and serve as its tax representative).

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Assessment on the impact

Pursuant to section 80(2) of the IRO, a person commits an offence and is liable to conviction if such person without reasonable excuse: fails to furnish a return in time; makes an incorrect return by omitting or understating anything in respect of which he is required by the IRO to make a return, either on his behalf or on behalf of another person; or makes an incorrect statement in connection with a claim for any deduction or allowance under the IRO. The offence is subject to a maximum fine of HK\$10,000 and treble the amount of the tax undercharged.

As no profits tax was payable according to the ESM 2018/19 Tax Assessment issued by the IRD, our Directors, after consultation with our Refiling Tax Representative and legal advice of the Legal Counsel, are of the view that the likelihood that the IRD imposing penalty on Easy Smart Maintenance and our Directors in respect of the prior year adjustments, pursuant to section 80 of the IRO is on the low side. This is based on the circumstances of this case including but not limited to: (i) the revised tax payable could be fully off-set by the one-off tax reduction provided by the HK Government, hence there was no underpayment of tax for the Relevant Period (i.e. the year of assessment 2018/19); (ii) the tax filing for the year of assessment 2018/19 was prepared based on the amount stated on the original audited financial statements which was then relied on by Easy Smart Maintenance, and Easy Smart Maintenance relied on professional advice on accounting and taxation matters which are technical matters; and (iii) as soon as the prior year adjustments were identified, Easy Smart Maintenance appointed the new tax representative to prepare and submit revised profit tax computation to the IRD and to proactively inform the IRD of the necessary tax adjustments. Accordingly, there was no wilful intention by Easy Smart Maintenance to evade tax. Even in the event that the IRD does wish to impose penalty under section 80(2) of the IRO, our Directors, based on consultation with our Refiling Tax Representative and legal advice of the Legal Counsel, are of the view that the maximum fine the IRD may impose under section 80(2) of the IRO is HK\$10,000. In view of the above, we have not made any provision for the potential tax penalty that may be imposed on us relating to the above incident.

In view of the above including the background and the assessments of our Directors after consultation with our Refiling Tax Representative, it is submitted that the tax incident has no material and adverse effect on the operation, business, and financial position of our Group.

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Enhanced internal control measures adopted to prevent recurrence

Despite the above assessment on the immateriality, our Directors consulted with our Internal Control Consultant to consider appropriate enhanced internal control measures to prevent recurrence of similar incidents and have adopted the following enhanced internal control measures:

- (i) we have updated our internal control manual in relation to tax management. In particular, addressing the risks when the personnel overseeing the tax filings lack relevant knowledge and qualifications, our financial controller is now designated to be responsible for overseeing the preparation, tax compliance status and submission of tax returns to the IRD. Our financial controller is also responsible for monitoring closely on the tax compliance deadlines and compliance status. Our new financial controller, Mr. Pang Yuk, will oversee the financial management of our Group and will be assigned to review, on a regular basis, our compliance with relevant tax laws and regulations and, where appropriate, will consult with an independent tax representative. Mr. Pang Yuk has more than eight years of experience in accounting, corporate finance, compliance and company secretarial work (for further details of his qualifications and work experience, please refer to the section headed “Directors and senior management” in this prospectus). To ensure multiple levels of review, our accounting manager will be responsible for liaising with the tax representative to ensure that the timely preparation of the tax filings by the tax representative. The accounting manager will then pass the tax filings for our financial controller’s review. Additionally, based on our updated internal control manual, our executive Directors and our financial controller will ensure the filing of tax returns before the submission deadline and our company secretary will proactively remind our executive Directors and our financial controller of such tax filing matters;
- (ii) our executive Directors and our responsible staff have attended a course by the HKICPA on profit tax returns to refresh and improve their knowledge of the basic requirements of the profit tax returns;
- (iii) to ensure a clear timeline and milestone for the timely preparation of audit account and tax reporting documents, avoid misunderstanding of the appropriate tax filing deadlines by our responsible staff and reduce the risks of recurrence of late tax filings, we set up a period-end checklist to closely monitor the tax filing timeline, which is prepared by our accounting department and periodically reviewed by our financial controller, and updated our internal control manual to stipulate the requirement of the aforesaid checklist to ensure such tasks are properly completed thereby mitigating the risks of inadvertent oversight by responsible staff, being a major cause of the historical tax non-compliance incidents;
- (iv) upon the Listing, we will engage a Hong Kong legal adviser on a retainer basis to advise on Hong Kong law compliance issues from time to time;
- (v) upon the Listing, we will engage an internal control adviser on an annual basis to carry out assessment on internal control systems and procedures in

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relation to, among others, our compliance with the IRO to ensure the effectiveness of our internal control systems in this regard and keep up to date with best practices; and

- (vi) we will establish an Audit Committee, of which the chairperson will be an independent non-executive Director with experience and competence in the accounting and financial areas, with one of its primary roles being to review the effectiveness of the internal audit activities, internal controls and risk management systems. This can further enhance our Group's compliance with the relevant regulatory requirements.

Since the adoption of the above measures, we have followed the period-end checklist to manage the tax filing timeline. Accordingly, the statutory audit of the financial statements of Easy Smart Engineering, Easy Smart Maintenance and E-Build Technology for the year ended 30 June 2021 have been completed and the corresponding tax returns have been completed and filed on time.

Our Internal Control Consultant has conducted follow-up reviews on our internal control system in September 2021 and in August 2022. Based on the enhanced internal control measures in place, our Internal Control Consultant is of the view that the design of enhanced internal control measures established by our Group are adequate and effective to reasonably prevent the occurrence of any similar non-compliance in the future.

Taking into account the background of the incident and the recommendations and view of our Internal Control Consultant, the latest compliance status and the completion of the statutory audit for the year ended 30 June 2021 and the corresponding tax returns filing, our Directors are of the view, and the Sole Sponsor concurs, that the above measures are sufficient and effective.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Comparison between the four months ended 31 October 2021 with the four months ended 31 October 2022

Revenue

Our revenue increased from approximately HK\$81.1 million for the four months ended 31 October 2021 to approximately HK\$131.0 million for the four months ended 31 October 2022, representing an increase of approximately HK\$49.9 million or 61.5% mainly due to the increase in revenue from private sector projects.

Our revenue from private sector projects increased from approximately HK\$36.4 million for the four months ended 31 October 2021 to approximately HK\$97.3 million for the four months ended 31 October 2022, mainly because we generated more revenue from sizeable private sector projects for the four months ended 31 October 2022, such as Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong, and Project 4979, a project at a commercial complex at an airport in Hong Kong, which together generated the aggregate revenue of approximately HK\$85.5 million for the four

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months ended 31 October 2022 as compared to approximately HK\$14.3 million for the four months ended 31 October 2021.

On the other hand, our revenue from public sector projects decreased from approximately HK\$44.6 million for the four months ended 31 October 2021 to approximately HK\$33.6 million for the four months ended 31 October 2022, mainly because of the decrease in revenue contribution from sizeable public sector projects for the four months ended 31 October 2022, such as Project 4966, a public infrastructure and facilities project involving office tower development at an airport in Hong Kong, and Project 4539, a public infrastructure and facilities project involving a sports park at Kai Tak, which together generated the aggregate revenue of approximately HK\$9.9 million for the four months ended 31 October 2022 as compared to approximately HK\$19.0 million for the four months ended 31 October 2021.

Costs of services

Our costs of services increased from approximately HK\$58.3 million for the four months ended 31 October 2021 to approximately HK\$96.8 million for the four months ended 31 October 2022, representing an increase of approximately HK\$38.5 million or 66.1%. Such increase was broadly in line with the growth of our revenue in the corresponding period of approximately 61.5%.

Our subcontracting fees increased by approximately HK\$18.7 million or 55.7% from the four months ended 31 October 2021 to the four months ended 31 October 2022. Our costs of materials also increased by approximately HK\$14.9 million or 74.8% from the four months ended 31 October 2021 to the four months ended 31 October 2022.

The percentage increase in our costs of materials was more than the percentage increase in our subcontracting fees from the four months ended 31 October 2021 to the four months ended 31 October 2022 mainly due to Projects 4979 and 4539, which required relatively large amount of purchases of materials such as fire rated boards and metal parts and components due to the requirements of the projects.

Gross profit and gross profit margin

Our Group's overall gross profit increased from approximately HK\$22.9 million for the four months ended 31 October 2021 to approximately HK\$34.3 million for the four months ended 31 October 2022, representing an increase of approximately HK\$11.4 million or 49.8%, while our Group's overall gross profit margin decreased from approximately 28.2% for the four months ended 31 October 2021 to approximately 26.2% for the four months ended 31 October 2022. The decrease in our Group's overall gross profit margin from the four months ended 31 October 2021 to the four months ended 31 October 2022 was mainly due to Project 4806 which involved certain costs incurred by us but the amount of work has not been certified as the customer needed more time for certification. The gross profit margin for this project was lower than the average gross profit margin of our Group, leading to a relatively lower gross profit margin for the four months ended 31 October 2022.

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The gross profit margins for certain types of projects fluctuated from the four months ended 31 October 2021 to the four months ended 31 October 2022 as follows:

- Our gross profit margin for public sector residential projects increased from approximately 19.8% for the four months ended 31 October 2021 to approximately 37.8% for the four months ended 31 October 2022 mainly due to Project 4171, the largest project in terms of revenue contribution for public sector residential projects, with gross profit margin of approximately 54.3% during the four months ended 31 October 2022. We recognised revenue during the four months ended 31 October 2022 for Project 4171 from works carried out in previous periods which had not yet been recognised until after our customer measured the value of such works in preparation of the final account for the project in August 2022.
- Our gross profit margin for private sector commercial and industrial projects decreased from approximately 33.6% for the four months ended 31 October 2021 to approximately 25.6% for the four months ended 31 October 2022 mainly due to Project 4979 with gross profit margin of approximately 35.4% during the four months ended 31 October 2021. Project 4979 involved a variation order for the supply and installation of temporary steel platforms within a short time frame leading to a relatively higher gross profit margin for such types of projects for the four months ended 31 October 2021.
- Our gross profit margin for private sector residential projects decreased from approximately 30.8% for the four months ended 31 October 2021 to approximately 24.2% for the four months ended 31 October 2022 mainly due to Projects 4893 and 129 with gross profit margins of approximately 25.0% and 10.0%, respectively, during the four months ended 31 October 2022. For Project 4893, our customer had not yet completed its internal approval process for the certification of a portion of the works leading to a delay in recognition of the revenue for such portion of works for the four months ended 31 October 2022. For Project 129, a relatively lower gross profit margin was determined at the tendering stage considering the relevant circumstances particularly, the work requirements for this project were relatively standard and simple. Due to the above reasons, we had a relatively lower gross profit margin for such types of projects for the four months ended 31 October 2022.
- Our gross profit margin for private sector public infrastructure and facilities projects increased from approximately 24.7% for the four months ended 31 October 2021 to approximately 35.6% for the four months ended 31 October 2022 mainly due to Project 4659 with gross profit margin of approximately 42.1% during the four months ended 31 October 2022. Project 4659, involved a variation order for the installation of a fire-rated ceiling and ceiling membrane which involved more stringent technical requirements and additional safety considerations due to the precautionary measures to avoid damage or disruptions in this power station project and the installation works were carried out at a height. Due to the above reasons, we had a relatively higher gross profit margin for such types of projects for the four months ended 31 October 2022.

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Other income

Our other income increased from approximately HK\$63,000 for the four months ended 31 October 2021 to approximately HK\$702,000 for the four months ended 31 October 2022, representing an increase of approximately HK\$639,000 mainly due to the increased in the one-off subsidies from an employment support scheme of the HK Government received during the four months ended 31 October 2022 as compared to the four months ended 31 October 2021.

Administrative expenses

Our administrative expenses remained stable at approximately HK\$3.7 million and HK\$3.7 million for the four months ended 31 October 2021 and the four months ended 31 October 2022, respectively.

Finance costs

Our Group's finance costs decreased from approximately HK\$0.1 million for the four months ended 31 October 2021 to approximately HK\$24,000 for the four months ended 31 October 2022, representing a decrease of approximately HK\$98,000 or 80.1% mainly due to our bank borrowings fully repaid in June 2022.

Other expenses

Our other expenses increased from nil for the four months ended 31 October 2021 to approximately HK\$85,000 for the four months ended 31 October 2022 mainly due to the reversals of over-provision of tax penalty for the four months ended 31 October 2022 for Easy Smart Maintenance's failure to inform the IRD of the chargeability of profits tax recorded during the year ended 30 June 2021.

Income tax expenses

Our income tax expenses increased from approximately HK\$3.2 million for the four months ended 31 October 2021 to approximately HK\$4.8 million for the four months ended 31 October 2022, representing an increase of approximately HK\$1.6 million or 49.5% mainly due to the increase in our revenue and gross profit as discussed above, while our effective tax rate decreased from approximately 29.5% for the four months ended 31 October 2021 to approximately 17.0% for the four months ended 31 October 2022 mainly due to the (i) the larger amount of non-taxable subsidies from an employment support scheme of the HK Government received by us of approximately HK\$701,000 for the four months ended 31 October 2022 as compared to approximately HK\$20,000 for the four months ended 31 October 2021; and (ii) the relatively higher non-tax deductible Listing expenses incurred of approximately HK\$8.3 million for the four months ended 31 October 2021 as compared to approximately HK\$3.0 million for the four months ended 31 October 2022.

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Profit and total comprehensive income for the period

Our profit and total comprehensive income for the period increased from approximately HK\$7.6 million for the four months ended 31 October 2021 to approximately HK\$23.4 million for the four months ended 31 October 2022, representing an increase of approximately HK\$15.8 million or 206.4% mainly due to the increase in our revenue as discussed above and the relatively higher Listing expenses incurred of approximately HK\$8.3 million for the four months ended 31 October 2021 as compared to approximately HK\$3.0 million for the four months ended 31 October 2022.

Comparison between the years ended 30 June 2021 and 2022

Revenue

Our revenue increased from approximately HK\$186.5 million for the year ended 30 June 2021 to approximately HK\$240.5 million for the year ended 30 June 2022, representing an increase of approximately HK\$54.0 million or 29.0% mainly due to the revenue contribution from a number of sizeable private sector projects particularly those discussed below.

Our revenue from private sector projects increased from approximately HK\$62.4 million for the year ended 30 June 2021 to approximately HK\$128.6 million for the year ended 30 June 2022, mainly because we generated more revenue from sizeable private sector projects for the year ended 30 June 2022, such as Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong, and Project 5015, a project involving a power station at Lamma Island, which together generated the aggregate revenue of approximately HK\$56.5 million for the year ended 30 June 2022 as compared to approximately HK\$8.4 million for the year ended 30 June 2021.

On the other hand, our revenue from public sector projects decreased from approximately HK\$123.8 million for the year ended 30 June 2021 to approximately HK\$111.6 million for the year ended 30 June 2022. This was mainly because of the decrease in revenue contribution from Projects 5046 and 5024, two public infrastructure projects involving temporary quarantine facilities at Penny's Bay, which contributed revenue of nil and approximately HK\$1.8 million for the year ended 30 June 2022, respectively (for the year ended 30 June 2021: approximately HK\$37.2 million and HK\$21.1 million, respectively). The decrease in revenue was partially offset by revenue contribution from Project 5161, a project commenced in November 2021 involving a transitional housing project in Yuen Long, with revenue recognised of approximately HK\$25.7 million for the year ended 30 June 2022.

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Costs of services

Our costs of services increased from approximately HK\$131.9 million for the year ended 30 June 2021 to approximately HK\$178.6 million for the year ended 30 June 2022, representing an increase of approximately HK\$46.7 million or 35.4%. Such increase was broadly in line with the growth of our revenue in the corresponding period of approximately 29.0% and was also due to the increase in our subcontracting fees and our costs of materials from the year ended 30 June 2021 to the year ended 30 June 2022. Our subcontracting fees increased by approximately HK\$35.8 million or 60.0% from the year ended 30 June 2021 to the year ended 30 June 2022 which was mainly attributable to (i) the corresponding increase in our revenue; and (ii) the subcontracting fees incurred for Projects 4876, 5161, 5324 and 4539 for the year ended 30 June 2022 given (a) the scale of these projects were relatively large in particular Project 4876 with an original contract sum of approximately HK\$70.5 million, (b) Project 5161 which involved a relatively high original contract sum of approximately HK\$22.7 million with a relatively short timeframe for completion of works to accommodate the change announced in around February 2022 that the housing project would also serve as a community isolation facility, and (c) Projects 5324 and 4539 in particular, recorded high subcontracting fees and relatively lower costs of materials as discussed below. For the year ended 30 June 2022, the subcontracting fees incurred (and as a percentage of our total subcontracting fees incurred) for Project 4876 was approximately HK\$14.0 million (approximately 14.7%), for Project 5161 was approximately HK\$10.6 million (approximately 11.1%), for Project 5324 was approximately HK\$7.8 million (approximately 8.2%) and for Project 4539 was approximately HK\$7.5 million (approximately 7.9%).

Our costs of materials also increased by approximately HK\$8.4 million or 14.5% from the year ended 30 June 2021 to the year ended 30 June 2022. The percentage increase in our subcontracting fees was more than the percentage increase in our costs of materials from the year ended 30 June 2021 to the year ended 30 June 2022 mainly due to the relatively high subcontracting fees and relatively low costs of materials for sizeable projects such as Projects 5324 and 4539. Project 5324 recorded relatively high subcontracting fees and relatively low costs of materials mainly because the work for Project 5324 was labour intensive in nature due to the installation works required for this project and our customer also provided materials to us which reduced our costs of materials for this project. Project 4539 recorded relatively high subcontracting fees and relatively low costs of materials given the relatively large size of Project 4539 and the labour required to apply the fire resistant coating for the year ended 30 June 2022.

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Gross profit and gross profit margin

Our Group's overall gross profit increased from approximately HK\$54.6 million for the year ended 30 June 2021 to approximately HK\$61.9 million for the year ended 30 June 2022, representing an increase of approximately HK\$7.3 million or 13.4%, while our Group's overall gross profit margin decreased from approximately 29.3% for the year ended 30 June 2021 to approximately 25.7% for the year ended 30 June 2022. The decrease in our Group's overall gross profit margin from the year ended 30 June 2021 to the year ended 30 June 2022 was mainly due to certain sizeable projects such as Projects 5046 and 5024, which involved relatively high aggregate original contract sum of approximately HK\$48.0 million with relatively short duration of works and which were practically completed in January 2021 and October 2020, respectively, with substantial revenue recognised during the year ended 30 June 2021. Due to the urgency of the quarantine facilities under the COVID-19 pandemic, these two projects were practically completed in around four months' time. With such higher requirements for us to implement such works within the relatively shorter timeframe, the gross profit margin for these two projects was higher than the average gross profit margin of our Group, leading to a relatively high gross profit margin for the year ended 30 June 2021.

The following table sets out the average gross profit margins at the tendering stage and overall of (a) Projects 5046 and 5024, (b) Project 4876, which contributed to the increase in our revenue, gross profit and gross profit margin from private sector projects as discussed in this sub-paragraph headed "Comparison between the years ended 30 June 2021 and 2022" in this section, and (c) the remaining 17 of our top 20 projects completed up to the Latest Practicable Date by revenue contribution during the Track Record Period:

<u>Relevant projects</u>	<u>Budgeted gross profit margin at tendering stage</u>	<u>Overall gross profit margin</u>
	%	%
5046 and 5024	Average 38.5	Average 37.0
4876	29.9	27.5
Other top 20 completed projects	Average 21.8	Average 21.4

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Our gross profit from private sector projects increased from approximately HK\$13.8 million for the year ended 30 June 2021 to approximately HK\$33.6 million for the year ended 30 June 2022 while our Group's gross profit margin for private sector projects increased from approximately 22.1% for the year ended 30 June 2021 to approximately 26.1% for the year ended 30 June 2022. This increase in gross profit was mainly due to sizeable private sector projects for the year ended 30 June 2022, such as Projects 4876, 5015 and 5324, with the aggregate gross profit of approximately HK\$19.4 million for the year ended 30 June 2022 as compared to approximately HK\$2.3 million for the year ended 30 June 2021. The increase in gross profit margin for private sector projects was mainly attributable to Projects 4938 and 4876 with gross profit margins of approximately 35% and 30%, respectively, which impacted the gross profit margin for private sector projects for the year ended 30 June 2022. Given the relatively short time frame requested by our customer to complete certain works involving the supply, installation and removal of temporary fire rated steel platform for Project 4938 and earlier completion requested by our customer for certain air duct and cladding works by around three months for Project 4876, the gross profit margins for these two projects was higher than our Group's average gross profit margin during the year ended 30 June 2022.

Our gross profit from public sector projects decreased from approximately HK\$40.5 million for the year ended 30 June 2021 to approximately HK\$27.7 million for the year ended 30 June 2022 and our Group's gross profit margin for public sector projects decreased from approximately 32.7% for the year ended 30 June 2021 to approximately 24.8% for the year ended 30 June 2022. This decrease was mainly due to certain sizeable public sector projects such as Projects 5046 and 5024 which were practically completed during the year ended 30 June 2021 with gross profit margins higher than the average gross profit margin of our Group and led to the relatively higher gross profit margin of public sector projects for the year ended 30 June 2021 as discussed above.

Other income

Our other income decreased from approximately HK\$2.7 million for the year ended 30 June 2021 to approximately HK\$0.5 million for the year ended 30 June 2022, representing a decrease of approximately HK\$2.2 million mainly due to the decrease in the one-off subsidies from the employment support schemes of the HK Government and the construction business support scheme of the Construction Industry Council received during the year ended 30 June 2022 as compared to the year ended 30 June 2021.

Administrative expenses

Our administrative expenses increased from approximately HK\$8.0 million for the year ended 30 June 2021 to approximately HK\$9.9 million for the year ended 30 June 2022, representing an increase of approximately HK\$1.9 million or 24.3% mainly due to (i) the increase in staff costs (including directors' emoluments) of approximately HK\$0.6 million mainly due to new hiring such as from the hiring of our new financial controller in July 2021; (ii) the increase in our other costs of approximately HK\$0.4 million mainly from the additional software subscriptions fees and a donation to a charity; and (iii) the increase in our depreciation charges for our right-of-use assets and fixed assets of approximately HK\$0.4 million mainly because of the purchases of computer equipment in August 2021,

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the lease of an additional premise in September 2021 and the renewal of the tenancy agreements for certain of our leased premises in May 2022. The abovementioned additional software subscriptions and purchases of computer equipment were mainly for our new office opened in September 2021.

Finance costs

Our Group's finance costs increased from approximately HK\$0.1 million for the year ended 30 June 2021 to approximately HK\$0.3 million for the year ended 30 June 2022, representing an increase of approximately HK\$0.2 million or 229.5% mainly due to interest expenses arising from our new bank borrowings obtained in April 2021, which was fully repaid in June 2022.

Other expenses

Our other expenses was approximately HK\$0.6 million for the year ended 30 June 2021 mainly due to the provision made for the estimated penalty for Easy Smart Engineering's late filing of profit tax returns for the year of assessment 2020/21 recorded during the year ended 30 June 2021. It subsequently turned into a gain of approximately HK\$0.1 million for the year ended 30 June 2022 mainly due to the reversals of over-provision of tax penalty previously provided based on the additional tax assessment issued by the IRD in respect of such late filing.

Income tax expenses

Our income tax expenses increased from approximately HK\$7.5 million for the year ended 30 June 2021 to approximately HK\$8.4 million for the year ended 30 June 2022, representing an increase of approximately HK\$0.9 million or 12.6% mainly due to the increase in our revenue and gross profit as discussed above, while our effective tax rate increased from approximately 15.5% for the year ended 30 June 2021 to approximately 22.7% for the year ended 30 June 2022 mainly due to the non-tax deductible Listing expenses incurred of approximately HK\$14.2 million for the year ended 30 June 2022.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year decreased from approximately HK\$40.9 million for the year ended 30 June 2021 to approximately HK\$28.8 million for the year ended 30 June 2022, representing a decrease of approximately HK\$12.1 million or 29.5% mainly due to the Listing expenses incurred of approximately HK\$14.2 million for the year ended 30 June 2022.

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Comparison between the years ended 30 June 2020 and 2021

Revenue

Our revenue increased from approximately HK\$150.0 million for the year ended 30 June 2020 to approximately HK\$186.5 million for the year ended 30 June 2021, representing an increase of approximately HK\$36.5 million or 24.3% mainly due to the revenue contribution from a number of sizeable projects particularly (i) Projects 5046 and 5024, two public infrastructure projects involving temporary quarantine facilities at Penny's Bay, which contributed revenue of approximately HK\$37.2 million and HK\$21.1 million for the year ended 30 June 2021; and (ii) a redevelopment project in Tsim Sha Tsui which contributed revenue of approximately HK\$8.1 million for the year ended 30 June 2021. Mainly due to the revenue contribution from the public infrastructure projects involving temporary quarantine facilities at Penny's Bay, our revenue contribution from public sector projects increased from approximately HK\$100.4 million for the year ended 30 June 2020 to approximately HK\$123.8 million for the year ended 30 June 2021. Our revenue contribution from private sector projects increased from approximately HK\$49.5 million for the year ended 30 June 2020 to approximately HK\$62.4 million for the year ended 30 June 2021.

Costs of services

Our costs of services increased from approximately HK\$109.6 million for the year ended 30 June 2020 to approximately HK\$131.9 million for the year ended 30 June 2021, representing an increase of approximately HK\$22.3 million or 20.3%. Such increase was broadly in line with the growth of our revenue in the corresponding year and this was mainly due to (i) the increase in our subcontracting fees by approximately HK\$4.2 million or 7.5% from the year ended 30 June 2020 to the year ended 30 June 2021; and (ii) the increase in our costs of materials by approximately HK\$14.6 million or 33.5% from the year ended 30 June 2020 to the year ended 30 June 2021.

The percentage increase in our costs of services was less than the percentage increase in our revenue from the year ended 30 June 2020 to the year ended 30 June 2021 mainly due to the relatively lower subcontracting fees incurred for Projects 5046 and 5024, two public infrastructure projects involving temporary quarantine facilities at Penny's Bay as such projects involved purchases of materials with pre-applied fire resistant coating so that certain works (such as spraying of fire resistant paint on certain construction materials) which would typically be subcontracted out was no longer required. Whereas the increase in the costs of materials from the year ended 30 June 2020 to the year ended 30 June 2021 was mainly due to the costs of materials, particularly metal parts and components, incurred for Projects 5046 and 5024 where in addition to the normal passive fire protection materials, structural frame and staircases for the quarantine facilities were also required, and we were also responsible for providing the structural frame and steel staircase as well as certain other metal parts and components in the projects.

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Gross profit and gross profit margin

Our Group's overall gross profit increased from approximately HK\$40.4 million for the year ended 30 June 2020 to approximately HK\$54.6 million for the year ended 30 June 2021, representing an increase of approximately HK\$14.2 million or 35.1%, while our Group's overall gross profit margin increased from approximately 26.9% to 29.3% from the year ended 30 June 2020 to the year ended 30 June 2021. The increase in our Group's overall gross profit and gross profit margin from the year ended 30 June 2020 to the year ended 30 June 2021 was mainly due to certain sizeable projects such as the two public infrastructure projects involving temporary quarantine facilities at Penny's Bay, being Projects 5046 and 5024 as discussed above which involved relatively higher aggregate original contract sum of approximately HK\$48.0 million with short duration of works. Due to the urgency of the quarantine facilities under the COVID-19 pandemic, these two projects were practically completed in around four months' time. With such higher requirements for us to implement such works within the relatively shorter timeframe, the gross profit margin for these two projects was higher than the average gross profit margin of our Group, leading to an increase in our gross profit margin for the year ended 30 June 2021.

Our gross profit from private sector projects decreased from approximately HK\$15.3 million for the year ended 30 June 2020 to approximately HK\$13.8 million for the year ended 30 June 2021 while our Group's gross profit margin for private sector projects decreased from approximately 30.9% for the year ended 30 June 2020 to approximately 22.1% for the year ended 30 June 2021. This decrease in gross profit was mainly due to certain sizeable private sector projects, such as Project 4659, a project involving a power station at Lamma Island, with gross profit of approximately HK\$5.0 million for the year ended 30 June 2020 as compared to approximately HK\$1.4 million for the year ended 30 June 2021. The decrease in gross profit margin for private sector projects was mainly due to Project 4659 which involved certain changes to the design during the course of the project which we were required to bear certain associated costs which led to a decrease in the gross profit margin for this project for the year ended 30 June 2021.

Our gross profit from public sector projects increased from approximately HK\$25.0 million for the year ended 30 June 2020 to approximately HK\$40.5 million for the year ended 30 June 2021 while our gross profit margin for public sector projects increased from approximately 24.9% for the year ended 30 June 2020 to approximately 32.7% for the year ended 30 June 2021. This increase was mainly due to certain sizeable public sector projects such as Projects 5046 and 5024 which has higher than the average gross profit margin of our Group and led to the relatively higher gross profit margin of public sector projects for the year ended 30 June 2021 as discussed above.

Other income

Our other income increased from approximately HK\$0.5 million for the year ended 30 June 2020 to approximately HK\$2.7 million for the year ended 30 June 2021, representing an increase of approximately HK\$2.2 million or 463.0% mainly due to the one-off subsidies from the employment support schemes of the HK Government and the construction business support scheme of the Construction Industry Council.

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Administrative expenses

Our administrative expenses increased slightly from approximately HK\$7.9 million for the year ended 30 June 2020 to approximately HK\$8.0 million for the year ended 30 June 2021, representing an increase of approximately HK\$0.1 million or 1.5% mainly due to (i) the increase in depreciation charges for our right-of-use assets and fixed assets of approximately HK\$0.3 million; and (ii) the increase in staff costs (including directors' emoluments) of approximately HK\$0.2 million mainly due to new hiring of administrative and back office staff during the year ended 30 June 2021. The depreciation charges for our right-of-use assets increased mainly because of the lease of additional premises in November 2020. This increase was partially offset by the decrease in entertainment expenses of approximately HK\$0.1 million and decrease in professional fees of approximately HK\$0.1 million.

Finance costs

Our Group's finance costs increased from approximately HK\$18,000 for the year ended 30 June 2020 to approximately HK\$0.1 million for the year ended 30 June 2021, representing an increase of approximately HK\$87,000 or 483.3% mainly due to interest expenses arising from our new bank borrowings obtained in the year ended 30 June 2021.

Other expenses

Our other expenses increased from approximately HK\$37,000 for the year ended 30 June 2020 to approximately HK\$0.6 million for the year ended 30 June 2021 mainly due to the provision made for the estimated penalty for Easy Smart Engineering's late filing of profit tax returns for the year of assessment 2020/21.

Income tax expenses

Our income tax expenses increased from approximately HK\$5.2 million for the year ended 30 June 2020 to approximately HK\$7.5 million for the year ended 30 June 2021, representing an increase of approximately HK\$2.3 million or 44.6% mainly due to the increase in our revenue and gross profit as discussed above, while our effective tax rate decreased from approximately 15.7% for the year ended 30 June 2020 to approximately 15.5% for the year ended 30 June 2021 mainly due to the non-taxable government subsidies of approximately HK\$2.7 million that we received during the year ended 30 June 2021 under the employment support schemes of the HK Government and the construction business support scheme of the Construction Industry Council.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased from approximately HK\$27.8 million for the year ended 30 June 2020 to approximately HK\$40.9 million for the year ended 30 June 2021, representing an increase of approximately HK\$13.1 million or 47.2% mainly due to the increase in our revenue and gross profit margin as discussed above.

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BUSINESS TREND BEFORE THE TRACK RECORD PERIOD

Based on the consolidated management accounts for the years ended 30 June 2017, 2018 and 2019 prepared by the management of our Group, our Group in general recorded lower revenue in the three financial years prior to the Track Record Period than in the Track Record Period as we shifted our focus during the Track Record Period from smaller projects to projects with larger contract sums which could therefore generate more revenue. Our executive Directors believe that our Group's success in shifting towards projects with larger contract sums is due to our good relationship with our customers and our success in completing a well known and complex project involving a high speed rail link at West Kowloon, Project 4433, which we commenced works for in November 2017 and which was practically completed in April 2020. As demonstration of its complexity and size of work, the final contract value of Project 4433 was approximately HK\$91.5 million as compared to the original contract sum of approximately HK\$36.5 million. Based on the experience and reputation gained from undertaking this project, our customers are willing to award us projects with larger contract sums. Additionally, we possess other competitive strengths (for details, please refer to the section headed "Business — Competitive strengths" in this prospectus) which also contributed to such success. This shift is demonstrated by our Group's largest project in terms of original contract sum during the three financial years prior to the Track Record Period was Project 4433 with an original contract sum of approximately HK\$36.5 million whereas our largest project in progress as at the Latest Practicable Date was Project 5330 with an original contract sum of approximately HK\$128.1 million. Other than Project 5330, we also have two other projects in progress as at the Latest Practicable Date with an original contract sum of over HK\$50 million.

Our Group generally recorded lower gross profit and net profit during the three financial years prior to the Track Record Period than in the Track Record Period mainly due to (i) the lower revenue in general; and (ii) relatively lower profit margin for such projects agreed at the tendering stage for certain public infrastructure projects involving a high speed rail link at West Kowloon including Projects 4433 and 3672 mainly because such projects are at a landmark location and potentially beneficial for building our Group's brand recognition and thus a lower gross profit margin was considered acceptable particularly in light of the relatively large contract sum of the projects and/or to further develop our Group's relationship with those customers.

Our executive Directors confirmed that there is no material change in the cost structures and profiles of our major customers, suppliers and subcontractors of our Group during the Track Record Period and during the three financial years prior to the Track Record Period.

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LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, bank and other borrowing and cash generated from our operations. Our primary liquidity requirements are to finance our working capital needs and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the net proceeds from the Share Offer to finance a portion of our liquidity requirements.

As at 28 February 2023, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had bank balances and cash of approximately HK\$38.6 million.

Cash flows

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

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Operating cash flow before movement in working capital	34,046	50,574	39,861	11,480	28,921
Movements in working capital	(24,618)	(31,427)	(19,389)	(14,995)	14,149
Net cash generated from (used in) operations	9,428	19,147	20,472	(3,515)	43,070
Hong Kong profits tax paid	(2,076)	(4,497)	(6,832)	(3,823)	(9,491)
Tax penalty paid	-	-	(420)	-	-
Net cash from (used in) operating activities	7,352	14,650	13,220	(7,338)	33,579
Net cash (used in) from investing activities	(778)	(140)	(3,035)	40	(20)
Net cash (used in) from financing activities	(41,207)	1,437	(16,446)	(4,528)	(1,198)
Net (decrease) increase in cash and cash equivalents	(34,633)	15,947	(6,261)	(11,826)	32,361
Cash and cash equivalents at beginning of the year/periods	60,029	25,396	41,343	41,343	35,082
Cash and cash equivalents at end of the year/periods	<u>25,396</u>	<u>41,343</u>	<u>35,082</u>	<u>29,517</u>	<u>67,443</u>

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Cash flows from operating activities

Our operating cash inflows is primarily derived from our revenue from the provision of passive fire protection works services, whereas our operating cash outflows mainly includes subcontracting fees, costs of materials and staff costs, as well as other working capital needs. Net cash flows from operating activities primarily consisted of profit before tax adjusted for interest income, depreciation of property, plant and equipment, depreciation of right-of-use assets, impairment losses, net of reversal, finance costs, gain on disposal of items of property, plant and equipment, provision (over-provision) for tax penalty and the effect of changes in working capital such as changes in trade and other receivables, deposits and prepayments, contract assets, trade and other payables and contract liabilities.

The following table sets forth a reconciliation of our profit before tax to net cash flows from operating activities for the years/periods indicated:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Profit before taxation	32,985	48,414	37,281	10,850	28,220
Adjustments for:					
Interest income	(2)	(21)	(122)	(42)	-
Depreciation of property, plant and equipment	338	384	589	191	193
Depreciation of right-of-use assets	744	971	1,142	356	429
Impairment losses, net of reversal	(74)	169	718	2	140
Finance costs	18	105	346	123	24
Gain on disposal of property, plant and equipment	-	(9)	-	-	-
Provision (over-provision) for tax penalty	37	561	(93)	-	(85)

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	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Operating cash flow before movement in working capital	34,046	50,574	39,861	11,480	28,921
Movements in working capital:					
(Increase) decrease in trade and other receivables, deposits and prepayments	(3,645)	(5,955)	2,153	(23,159)	(5,988)
Decrease (increase) in contract assets	5,171	(11,165)	(16,714)	(5,926)	5,066
(Decrease) increase in trade and other payables	(16,648)	(11,008)	(4,371)	13,765	14,987
(Decrease) increase in contract liabilities	(9,496)	(3,299)	(457)	325	84
Net cash generated from (used in) operations	9,428	19,147	20,472	(3,515)	43,070
Hong Kong profits tax paid	(2,076)	(4,497)	(6,832)	(3,823)	(9,491)
Tax penalty paid	-	-	(420)	-	-
Net cash from (used in) operating activities	7,352	14,650	13,220	(7,338)	33,579

For the year ended 30 June 2020, we recorded profit before tax of approximately HK\$33.0 million and net cash from operating activities of approximately HK\$7.4 million, which mainly resulted from the negative adjustment due to (i) the decrease in trade and other payables of approximately HK\$16.6 million; (ii) the decrease in contract liabilities by approximately HK\$9.5 million; (iii) the increase in trade and other receivables, deposits and prepayments by approximately HK\$3.6 million; and (iv) the Hong Kong profits tax paid of approximately HK\$2.1 million partly offset by the positive adjustment due to the decrease in contract assets of approximately HK\$5.2 million.

For the year ended 30 June 2021, we recorded profit before tax of approximately HK\$48.4 million and net cash from operating activities of approximately HK\$14.7 million, which mainly resulted from the negative adjustment due to (i) the increase in contract assets of approximately HK\$11.2 million; (ii) the decrease in trade and other payable of approximately HK\$11.0 million; (iii) the increase in trade and other receivables, deposits and prepayments of approximately HK\$6.0 million; (iv) the decrease in contract liabilities of approximately HK\$3.3 million; and (v) the Hong Kong profits tax paid of approximately HK\$4.5 million.

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For the year ended 30 June 2022, we recorded profit before tax of approximately HK\$37.3 million and net cash from operating activities of approximately HK\$13.2 million, which mainly resulted from the negative adjustment due to (i) the increase in contract assets of approximately HK\$16.7 million; (ii) the decrease in trade and other payables of approximately HK\$4.4 million; and (iii) the Hong Kong profits tax paid of approximately HK\$6.8 million partly offset by the positive adjustment due to the decrease in trade and other receivables, deposits and prepayments of approximately HK\$2.2 million.

For the four months ended 31 October 2021, we recorded profit before tax of approximately HK\$10.9 million and net cash used in operating activities of approximately HK\$7.3 million, which mainly resulted from the negative adjustment due to (i) the increase in trade and other receivables, deposits and prepayments of approximately HK\$23.2 million mainly due to the substantial amount of trade receivables of approximately HK\$18.0 million for Project 4539, a public infrastructure and facilities project involving a sports park at Kai Tak, and HK\$6.3 million for Project 4876, a commercial project involving a logistic centre at an airport in Hong Kong, was billed by our Group in September and October 2021 near the end of the four months ended 31 October 2021; (ii) the increase in contract assets of approximately HK\$5.9 million; (iii) the Hong Kong profits tax paid of approximately HK\$3.8 million partly offset by the positive adjustment due to the increase in trade and other payables of approximately HK\$13.8 million.

For the four months ended 31 October 2022, we recorded profit before tax of approximately HK\$28.2 million and net cash from operating activities of approximately HK\$33.6 million, which mainly resulted from the positive adjustment due to (i) the increase in trade and other payables of approximately HK\$15.0 million; (ii) the decrease in contract assets of approximately HK\$5.1 million partly offset by the negative adjustment due to the increase in trade and other receivables, deposits and prepayments of approximately HK\$6.0 million and the Hong Kong profits tax paid of approximately HK\$9.5 million.

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Cash flows from investing activities

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Purchase of property, plant and equipment	(180)	(920)	(578)	(578)	(20)
Proceeds from disposal of property, plant and equipment	-	9	-	-	-
Interest received	2	21	122	42	-
Purchase of a life insurance policy	-	-	(3,179)	-	-
(Advance to) repayment from related companies	(600)	750	600	600	-
Repayment from a director	-	-	158	-	-
Advance to a director	-	-	(154)	(24)	-
Advance to the non-controlling shareholder of a subsidiary	-	-	(4)	-	-
Net cash (used in) from investing activities	(778)	(140)	(3,035)	40	(20)

During the Track Record Period, our cash outflows used in investing activities referred to purchase of items of property, plant and equipment, purchase of an insurance policy and advances to a director, the non-controlling shareholder of a subsidiary and related companies, and our cash inflows from investing activities referred to proceeds from disposal of property, plant and equipment, interest received, repayment from a director and related companies.

For the year ended 30 June 2020, we recorded net cash used in investing activities of approximately HK\$0.8 million, which was mainly due to advances to a related company, Tanda International, of approximately HK\$0.6 million and purchases of items of property, plant and equipment of approximately HK\$0.2 million.

For the year ended 30 June 2021, we recorded net cash used in investing activities of approximately HK\$0.1 million, which was mainly due to purchases of items of property, plant and equipment of approximately HK\$0.9 million, which was partially offset by the repayment from a related company, Warwick Building, of approximately HK\$0.8 million.

For the year ended 30 June 2022, we recorded net cash used in investing activities of approximately HK\$3.0 million which was mainly due to purchase of a life insurance policy to insure Mr. Dave Ng of approximately HK\$3.2 million and purchases of items of property, plant and equipment of approximately HK\$0.6 million which was partially offset by the repayment from a related company, Tanda International, of HK\$0.6 million.

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For the four months ended 31 October 2021, we recorded net cash from investing activities of approximately HK\$40,000 which was mainly due to repayment from a related company, Tanda International, of approximately HK\$0.6 million, which was partially offset by the purchases of items of property, plant and equipment of approximately HK\$0.6 million.

For the four months ended 31 October 2022, we recorded net cash used in investing activities of approximately HK\$20,000 which was mainly due to the purchases of items of property, plant and equipment of approximately HK\$20,000.

Cash flows from financing activities

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Interest paid	(18)	(105)	(346)	(123)	(24)
Dividend paid	(24,354)	(6,000)	-	-	-
New bank borrowings raised	-	10,000	-	-	-
Repayment of bank borrowings	-	(312)	(9,688)	(470)	-
Repayment to a director	(3,216)	(1,236)	-	-	-
Repayment of lease liabilities	(746)	(962)	(1,148)	(348)	(420)
Repayment to the non-controlling shareholder of a subsidiary	(12,873)	(3,008)	(147)	(4)	-
Advance from the non-controlling shareholder of a subsidiary	-	3,060	-	-	-
Transfer of 30% interest of Easy Smart Maintenance	-	-	(1,988)	(1,988)	-
Issue costs paid for initial listing of shares	-	-	(3,129)	(1,595)	(754)
	(41,207)	1,437	(16,446)	(4,528)	(1,198)
Net cash (used in) from financing activities	(41,207)	1,437	(16,446)	(4,528)	(1,198)

For the year ended 30 June 2020, we recorded net cash used in financing activities of approximately HK\$41.2 million, which was mainly due to dividend paid of approximately HK\$24.4 million, repayment to the non-controlling shareholder of a subsidiary, Ms. Lim, of approximately HK\$12.9 million and repayment to a director, Mr. Dave Ng, of approximately HK\$3.2 million. During the year ended 30 June 2020, Easy Smart Engineering declared approximately HK\$64.1 million in dividends, approximately HK\$24.4 million of which was paid during the year ended 30 June 2020, and the remaining approximately HK\$39.7 million were offset against the amounts due from the then shareholders, Mr. Dave Ng and Ms. Lim.

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For the year ended 30 June 2021, we recorded net cash from financing activities of approximately HK\$1.4 million, which was mainly due to new bank borrowings of HK\$10.0 million, partially offset by dividend paid of HK\$6.0 million and repayment to a director, Mr. Dave Ng, of approximately HK\$1.2 million.

For the year ended 30 June 2022, we recorded net cash used in financing activities of approximately HK\$16.4 million which was mainly due to repayment of bank borrowings of approximately HK\$9.7 million, issue costs in connection with the Listing of approximately HK\$3.1 million and acquisition of 30% interest in Easy Smart Maintenance from Mr. Dave Ng in connection with the Reorganisation of approximately HK\$2.0 million.

For the four months ended 31 October 2021, we recorded net cash used in financing activities of approximately HK\$4.5 million which was mainly due to acquisition of 30% interest in Easy Smart Maintenance from Mr. Dave Ng in connection with the Reorganisation of approximately HK\$2.0 million, issue costs in connection with the Listing of approximately HK\$1.6 million and repayment of bank borrowings of approximately HK\$0.5 million.

For the four months ended 31 October 2022, we recorded net cash used in financing activities of approximately HK\$1.2 million which was mainly due to the issue costs in connection with the Listing of approximately HK\$0.8 million.

Capital expenditures

For the years/period indicated, our Group incurred capital expenditures of approximately HK\$0.2 million, HK\$0.9 million, HK\$0.6 million and HK\$20,000, respectively, as set out below:

	Year ended 30 June			Four months ended 31 October
	2020	2021	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixtures and furniture	–	920	23	–
Motor vehicles	180	–	–	–
Computer and other equipment	–	–	555	20
Total	180	920	578	20

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Our Group's capital expenditures primarily consisted of fixtures and furniture, motor vehicles and computer and other equipment for use in our business operations. The increase in our capital expenditures by approximately HK\$0.7 million from the year ended 30 June 2020 to the year ended 30 June 2021 was mainly due to our renovation of our premises after leasing of an additional premise in November 2020. The decrease in our capital expenditures by approximately HK\$0.3 million from the year ended 30 June 2021 to the year ended 30 June 2022 was mainly due to the decrease in purchase of fixtures and furniture during the year ended 30 June 2022. Our Group's capital expenditures of approximately HK\$0.6 million for the year ended 30 June 2022 was mainly due to purchases of computer and other equipment for our new office opened in September 2021 and to support our growth in operations. The decrease in our capital expenditures by approximately HK\$0.6 million from the year ended 30 June 2022 to the four months ended 31 October 2022 was mainly due to the decrease in purchase of computer and other equipment during the four months ended 31 October 2022.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources, cash generated from our operations, an existing bank overdraft facility as well as our existing cash and cash equivalents and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 30 June			As at 31 October 2022	As at 28 February 2023
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current assets					
Trade receivables	11,533	17,328	12,069	16,817	21,497
Other receivables, deposits and prepayments	338	460	6,037	7,909	27,220
Contract assets	37,135	48,208	64,803	59,760	63,753
Amounts due from related companies	750	600	-	-	-
Bank balances and cash	25,396	41,344	35,082	67,443	38,610
	75,152	107,940	117,991	151,929	151,080

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	As at 30 June			As at	As at
	2020	2021	2022	31 October	28 February
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current liabilities					
Trade and other payables	28,076	17,068	12,697	27,684	12,557
Contract liabilities	4,114	815	358	442	352
Amount due to a director	1,236	-	-	-	-
Amounts due to the non-controlling shareholder of a subsidiary	95	147	-	-	-
Income tax payable	6,783	9,810	11,210	6,545	8,243
Lease liabilities	706	899	1,273	1,253	1,198
Bank borrowings	-	1,904	-	-	-
Provision	37	598	85	-	-
	41,047	31,241	25,623	35,924	22,350
Net current assets	34,105	76,699	92,368	116,005	128,730

Our net current assets increased from approximately HK\$34.1 million as at 30 June 2020 to approximately HK\$76.7 million as at 30 June 2021. Such increase was mainly due to the combined effects of (i) the increase in our bank balances and cash, which was broadly in line with our Group's increased profit and total comprehensive income for the year; (ii) the increase in our trade receivables; (iii) the increase in our contract assets as discussed in the paragraph headed "Discussion on selected financial position items — Contract assets/liabilities" in this section below; and (iv) the decrease in our trade and other payables as discussed in the paragraph headed "Discussion on selected financial position items — Trade and other payables" in this section below.

Our net current assets increased from approximately HK\$76.7 million as at 30 June 2021 to approximately HK\$92.4 million as at 30 June 2022. Such increase was mainly due to the combined effects of (i) the increase in contract assets of approximately HK\$16.6 million; (ii) the decrease in trade and other payables of approximately HK\$4.4 million and partially offset by (iii) the decrease in bank balances and cash of approximately HK\$6.3 million; and (iv) the decrease in trade receivables of approximately HK\$5.3 million.

Our net current assets increased from approximately HK\$92.4 million as at 30 June 2022 to approximately HK\$116.0 million as at 31 October 2022. Such increase was mainly due to the combined effects of (i) the increase in bank balances and cash of approximately HK\$32.4 million, which was broadly in line with our Group's increased profit and total comprehensive income for the period; (ii) the increase in our trade receivables of approximately HK\$4.7 million and partially offset by (iii) the increase in trade and other payables of approximately HK\$15.0 million; and (iv) the decrease in contract assets of approximately HK\$5.0 million.

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As at 28 February 2023, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK\$128.7 million, which was higher than our net current assets as at 31 October 2022 of approximately HK\$116.0 million, mainly due to our business growth and profitable operation during the four months ended 28 February 2023.

DISCUSSION ON SELECTED FINANCIAL POSITION ITEMS

Trade receivables

	As at 30 June			As at
	2020	2021	2022	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2022
				<i>HK\$'000</i>
Trade receivables	11,556	17,428	12,768	17,679
Less: allowance for credit losses	(23)	(100)	(699)	(862)
	11,533	17,328	12,069	16,817

Our trade receivables increased from approximately HK\$11.5 million as at 30 June 2020 to approximately HK\$17.3 million as at 30 June 2021, representing an increase of approximately HK\$5.8 million or 50.2% mainly due to a substantial amount of trade receivables of approximately HK\$6.5 million for Project 4979, a project at a commercial complex at an airport in Hong Kong, was billed by our Group in June 2021 near the end of the year ended 30 June 2021 and which had not been settled as at 30 June 2021. This amount was fully settled in September 2021.

Our trade receivables decreased to approximately HK\$12.1 million as at 30 June 2022, representing a decrease of approximately HK\$5.3 million or 30.3%, which was mainly due to the billing status of Project 4876. Substantial works have been performed for Project 4876 by 30 June 2022, a project involving a logistics centre at an airport in Hong Kong, but the amount of work has not been certified and thus not billed by us as at 30 June 2022 as the customer needed more time for certification due to the project size. Approximately HK\$10.2 million was subsequently certified and billed for this project in July 2022 and fully settled in August 2022.

Subsequently, in line with our surge in revenue during the four months ended 31 October 2022, our trade receivables increased further to approximately HK\$16.8 million as at 31 October 2022, representing an increase of approximately HK\$4.7 million or 39.3% mainly due to trade receivables of approximately HK\$3.9 million for Project 5324, a residential development at Hiram's Highway in Sai Kung, was certified and billed on or before August 2022 and which had not been settled as at 31 October 2022. This amount was fully settled in January 2023.

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Our Group performs impairment assessment under expected credit loss model on financial assets (including trade receivable, other receivables and deposits, amounts due from a director, amounts due from related companies and bank balances and cash) and contract assets which are subject to impairment assessment under HKFRS 9. Assessment is performed based on our 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.

As at 30 June 2020, 2021 and 2022 and 31 October 2022, the allowance for credit losses of our Group's trade receivables was approximately HK\$23,000, HK\$0.1 million, HK\$0.7 million and HK\$0.9 million, respectively. The allowance for credit losses increased as at 30 June 2022 as compared with 30 June 2021 mainly because of the full impairment of the outstanding trade receivables of approximately HK\$0.6 million due from a customer who has defaulted in payment for the year ended 30 June 2022.

As at 30 June 2020, 2021 and 2022 and 31 October 2022, approximately 64.2%, 52.4%, 25.2% and 46.5% of our total trade receivables respectively were due from our five largest customers in each year/period during the Track Record Period. For further information regarding our customer concentration risk and our executive Directors' views as to the sustainability of our business model in view of our customer concentration, please refer to the section headed "Business — Our customers — Customer concentration" in this prospectus.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	Year ended 30 June			Four months ended
	2020	2021	2022	31 October 2022
Trade receivables turnover days (<i>Note</i>)	23.9 days	28.4 days	22.9 days	14.3 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (before allowance for credit losses) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 123 days for the four months ended 31 October 2022).

The credit period that we granted to our customers generally ranged from 14 days to 60 days. Our trade receivables turnover days increased from approximately 23.9 days for the year ended 30 June 2020 to approximately 28.4 days for the year ended 30 June 2021. Given a substantial amount of trade receivables of approximately HK\$6.5 million for Project 4979, a project at a commercial complex at an airport in Hong Kong, was billed by our Group near the end of the year ended 30 June 2021 and had not been settled as at 30 June 2021, our trade receivables turnover days was higher for the year ended 30 June 2021.

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Our trade receivables turnover days decreased to approximately 22.9 days for the year ended 30 June 2022. Such decrease was mainly due to the decrease in our trade receivables as at 30 June 2022 as a result of the billing status of Project 4876 as discussed above. Our trade receivables turnover days subsequently dropped to approximately 14.3 days for the four months ended 31 October 2022 because of the surge in revenue for the four months ended 31 October 2022 by approximately 61.5% as compared with the four months ended 31 October 2021.

The trade receivables turnover days for the Track Record Period were generally in line with our credit term that we granted to our customers.

The following table sets forth an ageing analysis of trade receivables (net of allowance for credit losses) based on the invoice date:

	As at 30 June			As at 31 October 2022
	2020	2021	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	9,293	12,869	10,622	9,485
31 days to 60 days	1,393	1,877	444	1,090
61 days to 90 days	759	1,041	–	3,592
Over 90 days	88	1,541	1,003	2,650
	11,533	17,328	12,069	16,817

Up to the Latest Practicable Date, approximately 85.1% (which amounted to approximately HK\$14.3 million) of our trade receivables as at 31 October 2022 had been settled.

Up to the Latest Practicable Date, approximately 81.5% (which amounted to approximately HK\$5.1 million) of our trade receivables aged over 60 days as at 31 October 2022 had been settled.

We face risks in relation to the collectability of our trade receivables. In order to minimise such risks, our Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Material overdue payments are monitored closely and on a case-by-case basis, we will consider appropriate follow-up actions having regard to the reason for the outstanding payments, our relationship with the relevant customer, whether the customer is (or a subsidiary of) a listed company or multinational company, the customer's current business performance and financial position, the customer's history of making payments and general payment processing procedures and other relevant factors. If considered necessary, we will commence legal proceedings against such customers after the payment remains outstanding over a substantial period of time.

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The amount of trade receivables (net of allowance for credit losses) over 90 days decreased as at 30 June 2022 compared to that as at 30 June 2021. All of such trade receivables (net of allowance for credit losses) over 90 days as at 30 June 2022 had been settled as at the Latest Practicable Date. The amount of trade receivables (net of allowance for credit losses) over 90 days increased as at 31 October 2022 compared to that as at 30 June 2022 mainly due to the outstanding payment of approximately HK\$2.6 million from two customers and such amount had been fully settled as at the Latest Practicable Date.

The amount of trade receivables (net of allowance for credit losses) aged 61 days to 90 days increased as at 31 October 2022 compared to that as at 30 June 2022 mainly due to the additional time needed for two customers to complete their internal approval process for payment. The outstanding payment from such two customers as at 31 October 2022 were approximately HK\$5.3 million of which approximately HK\$4.5 million had been settled as at the Latest Practicable Date.

Our executive Directors also confirm that the outstanding balance of our trade receivables are not subject to any major disputes or legal proceedings as at the Latest Practicable Date.

Other receivables, deposits and prepayments

	As at 30 June			As at
	2020	2021	2022	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2022</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other receivables and deposits	195	156	215	357
Prepayments	333	460	1,558	1,880
Deferred issue costs	-	-	4,211	5,023
Prepaid Listing expenses and issue cost	-	-	268	823
Tax reserve certificate	5	-	-	-
	533	616	6,252	8,083

Our Group's other receivables and deposits mainly comprise rental deposits. Our prepayments represent prepayments to suppliers of materials. Our deferred issue costs represent the prepaid issue costs to be capitalised to other reserve upon the Listing. Our other receivables, deposits and prepayments increased from approximately HK\$0.5 million as at 30 June 2020 to approximately HK\$0.6 million as at 30 June 2021, which was mainly because of the amount of prepayments increased from approximately HK\$0.3 million as at 30 June 2020 to approximately HK\$0.5 million as at 30 June 2021 mainly due to increases in the prepayments to suppliers of materials in view of the increase in the number of sizeable projects undertaken by our Group and the requirements of such projects. The increase in other receivables, deposits and prepayments to approximately HK\$6.3 million as at 30 June 2022 was mainly due to the increase in deferred issue costs of approximately HK\$4.2 million. The subsequent increase in other receivables, deposits and

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prepayments to approximately HK\$8.1 million as at 31 October 2022 was mainly due to the increase in deferred issue costs of approximately HK\$0.8 million and the increase in prepaid Listing expenses and issue cost of approximately HK\$0.6 million.

Contract assets/liabilities

A contract asset represents our Group's right to consideration from customers for the provision of passive fire protection works, which arises when: (i) our Group completes the relevant services under such contracts which is not billed because the rights are conditional on our Group's future performance; or (ii) our customers withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts for the defect liability period (generally being a period of 12 months after issuance of the practical completion certificate of the project). The contract assets are transferred to trade receivables when the rights become unconditional.

Contract liabilities represent our Group's obligation to transfer services to customers for which our Group has received consideration from our customers.

The following table sets forth the breakdown of our contract assets/liabilities as at the dates indicated:

	As at 30 June			As at
	2020	2021	2022	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2022</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets				
– Unbilled revenue	24,444	33,830	44,111	38,278
– Retention receivables	12,691	14,378	20,692	21,482
	37,135	48,208	64,803	59,760
Contract liabilities	4,114	815	358	442

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Unbilled revenue

Our unbilled revenue increased from approximately HK\$24.4 million as at 30 June 2020 to approximately HK\$33.8 million as at 30 June 2021 and then increased to approximately HK\$44.1 million as at 30 June 2022. The increase in our unbilled revenue to approximately HK\$33.8 million as at 30 June 2021 was mainly due to the increase in the size and number of contract works that the relevant services were practically completed but were not certified at the end of each reporting period, such as (i) Project 4539, a public infrastructure and facilities project involving a sports park at Kai Tak, where our Group recognised unbilled revenue of nil and approximately HK\$7.9 million as at 30 June 2020 and 2021, respectively; and (ii) Project 4876, a commercial project involving a logistics centre at an airport in Hong Kong, where the unbilled revenue was nil and approximately HK\$4.8 million as at 30 June 2020 and 2021, respectively. The further increase in our unbilled revenue to approximately HK\$44.1 million as at 30 June 2022 was mainly because of the billing status of Project 4876. The unbilled revenue of Project 4876 amounted to approximately HK\$22.6 million as at 30 June 2022. The amount of work, the substantial part of which started only in May 2022, has not been certified and thus not billed by us as at 30 June 2022 as the customer needed more time for certification due to the project size. Approximately HK\$10.2 million was subsequently certified and billed for this project in July 2022 and fully settled in August 2022. The subsequent decrease in our unbilled revenue to approximately HK\$38.3 million as at 31 October 2022 was mainly because of the completion of the certification process for Project 4876 as mentioned above.

Our unbilled revenue amounted to approximately HK\$38.3 million as at 31 October 2022 of which approximately 81.7% (which amounted to approximately HK\$31.3 million) had been subsequently billed up to the Latest Practicable Date.

Retention receivables

When undertaking contract works, our customers may, depending on the contract terms, hold up a certain percentage of each progress payment made to us as retention monies, which normally ranges from 5% to 10% of the relevant progress payment fee, the aggregate of which is subject to the maximum amount of 5% of the total contract value. Generally, they are released at the end of the defect liability period.

Our retention receivables increased from approximately HK\$12.7 million as at 30 June 2020 to approximately HK\$14.4 million as at 30 June 2021 and further increased to approximately HK\$20.7 million as at 30 June 2022 and approximately HK\$21.5 million as at 31 October 2022. The increase in our retention receivables during the Track Record Period primarily due to our business growth as evidenced by the increase in our revenue.

Our retention receivables amounted to approximately HK\$21.5 million as at 31 October 2022, none of which had been settled up to the Latest Practicable Date.

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Ageing analysis of our contract assets

The following table sets forth the ageing analysis of our contract assets based on revenue recognition date (before provision for impairment) as at the dates indicated and their subsequent billing/transfer to trade receivables up to the Latest Practicable Date:

	As at 30 June									As at 31 October		
	2020			2021			2022			2022		
	Contract assets	Subsequent billing/transfer		Contract assets	Subsequent billing/transfer		Contract assets	Subsequent billing/transfer		Contract assets	Subsequent billing/transfer	
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Within 1 year	27,448	26,300	95.8	41,768	35,868	85.9	55,052	43,215	78.5	49,408	31,265	63.3
1-2 years	4,341	3,929	90.5	3,863	2,722	70.5	7,951	2,465	31.0	6,874	-	-
Over 2 years	5,472	5,081	92.9	2,795	1,993	71.3	2,137	194	9.1	3,792	-	-
	<u>37,261</u>	<u>35,310</u>	<u>94.8</u>	<u>48,426</u>	<u>40,583</u>	<u>83.8</u>	<u>65,140</u>	<u>45,874</u>	<u>70.4</u>	<u>60,074</u>	<u>31,265</u>	<u>52.0</u>

Our executive Directors are of the view that there is no material recoverability issue for our contracts asset aged over one year and that adequate provisions had been made during the Track Record Period on the following basis:

- our contract assets comprise unbilled revenue and retention receivables with (i) approximately 80.6%, 85.5%, 99.4% and 99.3% of our contract assets aged over one year as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively, being retention receivables; and (ii) approximately 78.8%, 79.5%, 97.8% and nil of the subsequent billing/transfer up to the Latest Practicable Date of our contract assets aged over one year as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively, being attributable to retention receivables;
- retention receivables are generally released at the end of the defect liability period (generally being a period of 12 months after issuance of the practical completion certificate of the project) of our projects and therefore, our executive Directors considered that there is no recoverability issue for our retention receivables;
- additionally, our retention receivables generally increased during the Track Record Period primarily due to our business growth which would also impact our contract assets aged over one year; and
- in relation to our unbilled revenue, as approximately 81.7% of our unbilled revenue as at 31 October 2022 had been subsequently billed up to the Latest Practicable Date, our executive Directors also considered that there is no recoverability issue for our unbilled revenue.

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Contract assets by projects

The following tables sets forth our top ten contract assets (before provision for impairment) as at the dates indicated:

As at 30 June 2020

Project no.	Location	Scope of works	Customer ^{Note 1}	Unbilled revenue	Retention	Total contract assets
				HK\$'000	HK\$'000	HK\$'000
4069	Home Ownership Scheme flats at Kai Tak	Supply, delivery and installation of fire rated enclosures, false ceiling and stainless steel doors	Customer Group A	2,862	474	3,336
4253	Residential buildings at Lohas Park	Supply and installation of fire rated boards for steel structures	Customer Group F	2,503	807	3,310
4193	A museum at West Kowloon	Supply and installation of Gypsum ceiling works	Customer Group E	2,788	284	3,072
4128	Public rental housing development at Shek Kip Mei Estate	Supply and installation of fire rated boards, pipe sleeve for parapet and fire resistant painting to footbridge and metal works	Customer Group A	1,374	617	1,991
3672	A high speed rail link at West Kowloon	Design, supply and installation of fire rated enclosure works	Customer M	-	1,875	1,875
4590	A industrial plant at Tap Shek Kok	Supply and application of fire resistant paint	Customer I	1,474 ^{Note 2}	40	1,514
3760	A commercial center at Tsim Sha Tsui	Design, supply and installation of fire rated hanger wall system, fire rated enclosure, temporary fire rated partition and ceiling	Customer Group F	413	1,062	1,475
4637	A market in Central District	Supply and installation of fire rated boards, metal doors, false ceiling enclosure, fire resistant painting works and metal works in staircase and gutter	Customer Group A	488	971	1,459
4155	A commercial development at Kwun Tong	Supply and installation of fire rated enclosure	Customer Group E	979 ^{Note 2}	246	1,225
4224	Cross harbour tunnels in Hung Hom	Design, supply and installation of fire rated enclosure, aluminum roof cover, sealing fire rated material to walls and metal works for north ventilation building	Customer L	765	445	1,210
			Others	10,834	5,960	16,794
				<u>24,480</u>	<u>12,781</u>	<u>37,261</u>

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As at 30 June 2021

Project no.	Location	Scope of works	Customer ^{Note 1}	Unbilled revenue	Retention	Total contract assets
				HK\$'000	HK\$'000	HK\$'000
4539	A sports park at Kai Tak	Application of fire resistant coating	Wing Kei Structural Metalworks Company Limited	7,870	-	7,870
4876	A logistics centre at an airport in Hong Kong	Fire rated steel duct cladding works	Brilliant (E&M) Engineering Limited	4,838	-	4,838
5024	Temporary quarantine facilities at Penny's Bay	Supply and installation of fire resistant structural frame of corridors and staircases	Customer Group E	3,838	892	4,730
5015	A power station at Lamma Island	Fire protection system and painting works	Customer Group C	2,853	270	3,123
4938	A commercial building redevelopment at Tsim Sha Tsui	Supply, installation and removal of temporary steel platform for fire rated protection	Customer N	3,000	-	3,000
4806	A passenger terminal at an airport in Hong Kong	Design, installation, testing and commissioning of aluminium blades, pods, retail and service cabins	Customer K	1,118	724	1,842
4448	Public rental housing development in Fanling	Design, supply and installation of fire rated boards and fire protection enclosure	Customer Group F	1,494	176	1,670
4659	A power station at Lamma Island	Supply and installation of fire protection system and painting works	Customer Group C	-	1,567	1,567
4637	A market in Central District	Supply and installation of fire rated boards, metal doors, false ceiling enclosure, fire resistant painting works and metal works in staircase and gutter	Customer Group A	-	1,461	1,461
4692	Public rental housing development in Chai Wan	Supply and installation of fire rated metal doors, steel gates, glazed windows, and metal works	Customer Group A	993	426	1,419
			Others	7,960	8,946	16,906
				<u>33,964</u>	<u>14,462</u>	<u>48,426</u>

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As at 30 June 2022

Project no.	Location	Scope of works	Customer ^{Note 1}	Unbilled revenue	Retention	Total contract assets
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
4876	A logistics centre at an airport in Hong Kong	Fire rated steel duct cladding works	Customer Group H	22,586	3,269	25,855
5324	Residential development at Hiram's Highway in Sai Kung	Supply, fabrication and installation, of fire rated steel platform	Customer P	3,924	-	3,924
5161	A transitional housing project at Yuen Long	Supply and installation of fire rated boards, metal and steel works	Customer Group F	2,042	1,540	3,582
4908	A passenger terminal at an airport in Hong Kong	Design, supply, fabrication and installation of automatic smoke curtain system	Customer Group E	2,524	211	2,735
4627	A hospital at Kwun Tong	Supply and application of fire resistant coating system to structural steel works	Customer Group D	1,798	275	2,073
4979	A commercial complex at an airport in Hong Kong	Supply and installation of fire rated enclosure and metal platforms	Customer Group F	1,480	514	1,993
4806	A passenger terminal at an airport in Hong Kong	Design, installation, testing and commissioning of aluminium blades, pods, retail and service cabins	Customer K	114	1,706	1,820
5015	A power station at Lamma Island	Fire protection system and painting works	Customer Group C	226	1,530	1,755
4637	A market in Central District	Supply and installation of fire rated boards, metal doors, false ceiling enclosure, fire resistant painting works and metal works in staircase and gutter	Customer Group A	886	673	1,559
4659	A power station at Lamma Island	Supply and installation of fire protection system and painting works	Customer Group C	350	1,162	1,512
			Others	8,348	9,982	18,332
				<u>44,278</u>	<u>20,862</u>	<u>65,140</u>

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As at 31 October 2022

Project no.	Location	Scope of works	Customer ^{Note 1}	Unbilled revenue	Retention	Total contract assets
				HK\$'000	HK\$'000	HK\$'000
4876	A logistics centre at an airport in Hong Kong	Fire rated steel duct cladding works	Customer Group H	10,565	5,411	15,976
4979	A commercial complex at an airport in Hong Kong	Supply and installation of fire rated enclosure and metal platforms	Customer Group F	10,738	1,439	12,177
4806	A passenger terminal at an airport in Hong Kong	Design, installation, testing and commissioning of aluminium blades, pods, retail and service cabins	Customer K	3,036	1,706	4,742
5330	A sports park at Kai Tak	Design, supply and installation of fire rated panel system and structural steel for scoreboard and flag pole	Customer Group F	3,883	175	4,058
4908	A passenger terminal at an airport in Hong Kong	Design, supply, fabrication and installation of automatic smoke curtain system	Customer Group E	2,667	448	3,115
5015	A power station at Lamma Island	Fire protection system and painting works	Customer Group C	47	1,530	1,577
4659	A power station at Lamma Island	Supply and installation of fire protection system and painting works	Customer Group C	-	1,565	1,565
4671	Residential development at Kwun Tong	Design, supply and installation of fire rated boards	Customer Group F	715	471	1,186
4637	A market in Central District	Supply and installation of fire rated boards, metal doors, false ceiling enclosure, fire resistant painting works and metal works in staircase and gutter	Customer Group A	570	684	1,254
4735	An advanced manufacturing centre at Tseung Kwan O	Supply and installation of fire rated enclosure	Customer Group E	-	772	772
			Others	6,236	7,415	13,652
				<u>38,457</u>	<u>21,616</u>	<u>60,074</u>

Notes:

- (1) For the purposes of the above tables, the customer identified for the project relates to the customer of the project which recorded the contract asset.
- (2) As at the Latest Practicable Date, the unbilled revenue for Projects 4590 and 4155 as at 30 June 2020 have been billed and certified.

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Trade receivables and contract assets turnover days

The following table sets forth our trade receivables and contract assets turnover days during the Track Record Period:

	Year ended 30 June			Four months ended 31 October
	2020	2021	2022	2022
	Trade receivables and contract assets turnover days (<i>Note</i>)	120.8 days	112.2 days	109.1 days

Note: Trade receivables and contract assets turnover days is calculated based on the average of the beginning and ending balance of trade receivables and contract assets (before allowance for credit losses) divided by the revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 123 days for the four months ended 31 October 2022).

Our trade receivables and contract assets turnover days decreased from approximately 120.8 days for the year ended 2020 to approximately 112.2 days for the year ended 2021 mainly due to the larger increase in revenue as compared to the increase in contract assets from the year ended 30 June 2020 to the year ended 30 June 2021 because of Projects 5046 and 5024, two public infrastructure projects involving temporary quarantine facilities at Penny's Bay, which contributed revenue of approximately HK\$37.2 million and HK\$21.1 million for the year ended 30 June 2021, respectively, but only had contract assets of approximately HK\$1.0 million and HK\$4.7 million as at 30 June 2021, respectively. Our trade receivables and contract assets turnover days further decreased for the year ended 30 June 2022 to approximately 109.1 days mainly due to our strengthened efforts on the collection of trade receivables and the procurement of timely certification by our customers in general for the year ended 30 June 2022. Our trade receivables and contract assets turnover days subsequently decreased to approximately 72.7 days for the four months ended 31 October 2022 because of the surge in revenue for the four months ended 31 October 2022 by approximately 61.5% as compared with the four months ended 31 October 2021.

Impairment

Our Group recorded an impairment of contract assets of approximately HK\$0.1 million, HK\$0.2 million, HK\$0.3 million and HK\$0.3 million as at 30 June 2020, 2021 and 2022 and as at 31 October 2022, respectively.

Further details about the expected credit loss on our Group's contract assets are disclosed in notes 19 and 30B to the Accountants' Report as set out in Appendix I to this prospectus.

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Contract liabilities

Our Group's contract liabilities decreased from approximately HK\$4.1 million as at 30 June 2020 to approximately HK\$0.8 million as at 30 June 2021 and then further decreased to approximately HK\$0.4 million as at 30 June 2022. Subsequently, our contract liabilities remained stable at approximately HK\$0.4 million as at 31 October 2022. The contract liabilities represent our Group's obligation to transfer services to customers for which our Group has received consideration. The decrease in contract liabilities as at 30 June 2020 to that as at 30 June 2022 is mainly due to the reduction in receipt in advance as a result of the completion of several passive fire protection works projects with the main contractors who are the major customers of our Group.

Trade and other payables

The table below sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 30 June			As at
	2020	2021	2022	31 October 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	9,769	12,543	6,480	20,300
Payroll and MPF payables	988	1,318	1,418	1,390
Accrual of contract costs	17,146	3,000	210	987
Accrued expenses	77	111	93	347
Accrued issue costs and Listing expenses	-	-	4,329	4,565
Others	96	96	167	95
	18,307	4,525	6,217	7,384
Total	28,076	17,068	12,697	27,684

Our trade and other payables mainly comprised trade payables to subcontractors and suppliers of materials. We also had other payables which mainly comprise accrual of contract costs arising from costs of material and subcontracting fees incurred for which we have not received the invoice or payment applications from our suppliers or subcontractors as at the end of the relevant year. Our accrued issue costs and Listing expenses comprised the expenses accrued in the preparation of the Share Offer.

Our trade payables increased from approximately HK\$9.8 million as at 30 June 2020 to approximately HK\$12.5 million as at 30 June 2021 and then decreased to approximately HK\$6.5 million as at 30 June 2022. Subsequently, our trade payables increased to approximately HK\$20.3 million as at 31 October 2022. Such increase in our trade payables as at 30 June 2021 as compared to as at 30 June 2020 was broadly in line with the increase

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in our revenue for the year ended 30 June 2020 as compared to the year ended 30 June 2021 and was attributable to the increase in materials used in view of the increase in the number of sizeable projects undertaken by our Group as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section above. The decrease in trade payables as at 30 June 2022 was mainly due to our prompt payment to our suppliers for the year ended 30 June 2022. The increase in our trade payables as at 31 October 2022 as compared to as at 30 June 2022 was mainly attributable to the trade payables to subcontractors and suppliers of materials for Project 4876 because of earlier completion requested by our customer for certain air duct and cladding works by around three months and variation orders requested by the customer.

On the other hand, the amount of accrual of contract costs decreased from approximately HK\$17.1 million as at 30 June 2020 to approximately HK\$3.0 million and HK\$0.2 million as at 30 June 2021 and 2022, respectively. The amount of accrual of contract costs increased to approximately HK\$1.0 million as at 31 October 2022. During the Track Record Period, our Group proactively followed up with our suppliers and subcontractors to issue their invoices or payment applications for timely recording of the relevant costs and trade payables, leading to the overall decrease in the amount of accrual of contract costs during the Track Record Period.

The following table sets forth our trade payables turnover days during the Track Record Period:

	Year ended 30 June			Four months ended 31 October
	2020	2021	2022	2022
Trade payables turnover days (Note)	22.3 days	30.9 days	19.4 days	17.0 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by total costs of services incurred during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 123 days for the four months ended 31 October 2022).

Our suppliers and subcontractors usually grant us a credit period of 30 days to 60 days or otherwise require payment upon delivery. Our trade payables turnover days increased from approximately 22.3 days for the year ended 30 June 2020 to approximately 30.9 days for the year ended 30 June 2021, decreased to approximately 19.4 days for the year ended 30 June 2022 and then dropped to approximately 17.0 days for the four months ended 31 October 2022. The changes to our trade payables turnover days mainly reflected the different amounts of works done and billed by our subcontractors as well as different amounts of materials purchased by us from our suppliers of materials near the end of each year/period. We had a lower trade payables turnover day for the year ended 30 June 2022 mainly because of our prompt payment to our suppliers for the year. Our trade payables turnover day dropped further for the four months ended 31 October 2022 because of the surge in costs of services for the four months ended 31 October 2022 by approximately 66.1% as compared with the four months ended 31 October 2021.

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The following table sets forth the ageing analysis of the trade payables based on the invoice date as at the dates indicated:

	As at 30 June			As at
	2020	2021	2022	31 October 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4,611	11,049	6,247	19,353
31 days to 60 days	2,308	1,494	223	836
61 days to 90 days	2,850	–	10	111
	9,769	12,543	6,480	20,300

As at the Latest Practicable Date, all of our trade payables as at 31 October 2022 had been settled.

Property, plant and equipment

Our property, plant and equipment primarily comprised fixtures and furniture, motor vehicles and office equipment. Our property, plant and equipment increased from approximately HK\$0.8 million as at 30 June 2020 to approximately HK\$1.3 million as at 30 June 2021. Our property, plant and equipment remained relatively stable as at 30 June 2022 as compared to that as at 30 June 2021 and then decreased to approximately HK\$1.1 million as at 31 October 2022.

Right-of-use assets

A lease is initially recognised as a right-of-use asset and corresponding liability at the date on which a leased asset is available for use by our Group. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The right-of-use assets represent our Group's rights to use leased premises under lease arrangements over the lease terms from one year to three years, without any extension nor termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, our Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of our right-of-use assets are summarised in note 15 to the Accountants' Report.

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Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss (“FVTPL”) represents the life insurance policy purchased in February 2022 from an authorised insurer in Hong Kong to insure Mr. Dave Ng (the chairman of our Board, the chief executive officer and one of our Controlling Shareholders) with Easy Smart Engineering as a beneficiary.

The total insured sum is approximately US\$1.2 million (equivalent to approximately HK\$9.0 million). At the inception of the policy, we were required to pay an upfront payment of approximately US\$408,000 (equivalent to approximately HK\$3.2 million).

We had financial assets at FVTPL of approximately HK\$3.2 million and HK\$3.2 million as at 30 June 2022 and 31 October 2022, being the upfront payment paid at the inception of the policy. We did not record any fair value loss or gain on financial assets at FVTPL during the Track Record Period.

For details of our financial assets at FVTPL, see note 18 to the Accountants’ Report in Appendix I to this prospectus.

Amounts due from/(to) a Director, a non-controlling shareholder of a subsidiary and related companies

Amounts due to a Director represent amounts due to Mr. Dave Ng. Amounts due to the non-controlling shareholder of a subsidiary represent amounts due to Ms. Lim. Amounts due from related companies comprised amounts due from and to Tanda International and Warwick Building, details of which are summarised in note 20 to the Accountants’ Report set out in Appendix I to this prospectus.

Amounts due from/(to) Mr. Dave Ng and Ms. Lim are non-trade related, unsecured, non-interest bearing and without a fixed repayment term. The amount due from Mr. Dave Ng of approximately HK\$34.6 million as at the beginning of the Track Record Period on 1 July 2019 decreased and became amount due to Mr. Dave Ng of approximately HK\$1.2 million as at 30 June 2020 mainly because the dividends of approximately HK\$64.1 million declared by our Group for the year ended 30 June 2020, out of which approximately HK\$39.1 million were offset against the amount due from Mr. Dave Ng. During the year ended 30 June 2019, our Group advanced a sum of approximately HK\$29.6 million to Mr. Dave Ng mainly for his savings, investment, personal use and/or his family arrangement. As members of our Group did not declare or pay any dividend since the year ended 30 June 2012 until the year ended 30 June 2020, the cash advanced to Mr. Dave Ng during the year ended 30 June 2019 represents the return to shareholders accumulated since the year ended 30 June 2012. The amount due from Mr. Dave Ng arising from the cash advanced during the year ended 30 June 2019 was settled by offsetting against the dividend declared by our Group for the year ended 30 June 2020. During the year ended 30 June 2022, there were also advances to and repayment by Mr. Dave Ng of approximately HK\$0.2 million. The advances to Mr. Dave Ng during the year ended 30 June 2022 mainly involved (i) a short-term borrowing by Mr. Dave Ng for his personal expenditure; and (ii) our payments of management fees and government rent on his behalf in respect of the property leased by our Group from Mr. Dave Ng. All outstanding balances with Mr. Dave Ng have been fully

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settled as of 30 June 2022. During the four months ended 31 October 2022, we did not have any advances to and repayment by Mr. Dave Ng. We will not make further advances to Mr. Dave Ng in the future.

At the beginning of the Track Record Period on 1 July 2019, the amount due to Ms. Lim was approximately HK\$12.3 million, representing the long-term support from Ms. Lim since in or before 2014. During the years ended 30 June 2020, 2021 and 2022, Ms. Lim advanced a sum of nil, approximately HK\$3.1 million and nil, respectively to our Group for our working capital purpose. We also advanced a sum of less than HK\$0.01 million to Ms. Lim during the year ended 30 June 2022 which were our payments of government rent on her behalf in respect of the property leased by our Group from Ms. Lim. As we generally generated net cash inflow from operations during the Track Record Period, our Group made repayment of approximately HK\$12.9 million, HK\$3.0 million and HK\$0.1 million to Ms. Lim during the years ended 30 June 2020, 2021 and 2022, respectively. As a result of such advances and repayment, the amount due to Ms. Lim decreased to less than HK\$0.1 million as at 30 June 2020, approximately HK\$0.1 million as at 30 June 2021 and nil as at 30 June 2022. All outstanding balances with Ms. Lim have been fully settled as of 30 June 2022. During the four months ended 31 October 2022, we did not have any advances to and repayment by Ms. Lim.

The advances from Ms. Lim to our Group during the Track Record Period were mainly due to: (i) the practice of Ms. Lim, a co-founder of our Group, which was her family business with Mr. Dave Ng, to advance idle cash to our Group in support of our operation and withdraw such advance when Ms. Lim was in need of cash prior to June 2020; and (ii) the specific operational needs of our Group and its general working capital purposes as further discussed below:

- (i) Ms. Lim was a co-founder of our Group and a shareholder of Easy Smart Engineering prior to the Reorganisation. Thus, Ms. Lim was interested in our success and historically, she provided funds in support of our Group as a private and family business of Ms. Lim and Mr. Dave Ng. On certain occasions, she made advances to our Group when she had available cash and she considered such cash was more useful if in support of our Group's business. As confirmed by Ms. Lim, the above practice was the main reason for her advances to our Group of approximately HK\$28.0 million for the year ended 30 June 2019 including the specific advances in April 2019 and May 2019. However, to strengthen our Group's corporate governance, Ms. Lim ceased such practice of general advances of available cash into our Group in around June 2020.
- (ii) Ms. Lim also made advances based on the specific operational needs of our Group and for our general working capital purposes. As confirmed by Ms. Lim, this was the reason for her advances after June 2020. In particular, Ms. Lim's advance of HK\$3.0 million to our Group in February 2021 was to support our Group's general working capital purposes for around February and March 2021 after we signed the contract in January 2021 for Project 4876, a large-scale project with an original contract sum of approximately HK\$70.5 million. Subsequently, the management of our Group gained a better

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understanding of the expected timetable of Project 4876, specifically, the commencement date would be in April 2021 and they considered that there were sufficient funds in our Group's bank accounts. Our Group then repaid the HK\$3.0 million to Ms. Lim in April 2021.

In relation to the repayment of such advances from Ms. Lim to our Group during the Track Record Period, although in general, Ms. Lim did not require immediate repayments of such amounts, the management of our Group is aware of the necessity to settle our Group's debt obligations from time to time. Furthermore, there was no undue dependence on such advances from Ms. Lim for our Group's operations. Thus, when the management of our Group considered that there were sufficient funds to repay Ms. Lim partly or wholly while satisfying our prudent financial management strategy, we repaid Ms. Lim with the amount of repayment determined not according to any strict formula but through their judgement on available excess funds.

Our Group had amounts due from Tanda International of HK\$600,000, HK\$600,000, nil and nil, and amounts due from Warwick Building of HK\$750,000, nil, nil and nil as at 30 June 2020, 2021 and 2022 and as at 31 October 2022, respectively. The above amount of HK\$600,000 was provided by us to Tanda International in May 2020 as Tanda International sought financial support for prudent financial management purposes having considered that prior to our advance, its bank balance was less than HK\$5.0 million, which is insufficient to cover three months' operating expenses. The advance was used by Tanda International for working capital and the settlement of payables to suppliers. The above amount due from Warwick Building of HK\$750,000 was provided by us to Warwick Building between November 2014 and January 2015 as Warwick Building sought financial support given that it was in a shortage of cash at the relevant time as evidenced by the net current liabilities position as at 31 March 2015 based on its audited financial statements for the year ended 31 March 2015 and the loan was used for the settlement of payments to a supplier for the purchase of fire-resistant paints, thus, Warwick Building was in genuine need for general working capital for its operations. We agreed to provide such financial support to Tanda International and Warwick Building and it was considered commercially justified taking into account: (i) the ongoing business relationship between us and Warwick Building and Tanda International and benefits of supporting them to minimise disruptions to our projects which are supplied by Warwick Building and Tanda International; and (ii) we closely monitored Warwick Building's and Tanda International's financial condition to protect our interest. Amounts due from Tanda International and Warwick Building were non-trade in nature, unsecured, interest-free and repayable on demand. All outstanding balances with Warwick Building have been fully settled as of 30 June 2021 and all outstanding balances with Tanda International have been settled in cash in October 2021.

Our executive Directors confirmed that none of our Group's costs or expenses were borne by any related persons or third parties without being fully recharged to our Group during the Track Record Period.

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Payment for a life insurance policy

We purchased a life insurance policy in February 2022 from an authorised insurer in Hong Kong, (the “**Insurer**”) to insure Mr. Dave Ng (the chairman of our Board, the chief executive officer and one of our Controlling Shareholders) with Easy Smart Engineering as the beneficiary. During the year ended 30 June 2022, we discussed with one of our existing banks in Hong Kong, which had banking relationship with us since 2021 (the “**Relevant Bank**”) for a potential new bank facility, and we were given to understand that a life insurance policy for key personnel would be helpful for us in managing key person risk and in the credit assessment for obtaining such a new bank facility. Therefore, the Relevant Bank served as an agent for the life insurance policy and assisted us in the purchase of such policy from the Insurer. We intended to pledge this life insurance policy should we decide to obtain a new bank facility.

The total insured sum is approximately US\$1.2 million (equivalent to approximately HK\$9.0 million). At the inception of the policy, we were required to pay an upfront payment of approximately US\$408,000 (equivalent to approximately HK\$3.2 million).

Subject to the terms and conditions of the life insurance policy, such policy covers the whole life of Mr. Dave Ng as the insured person. When the insured person passes away, the beneficiary will be entitled to an amount based on a specified percentage of the total insured sum with reference to when the insured person passes away and the beneficiary may also be entitled to a potential non-guaranteed bonus amount if the insured person passes away after the 10th anniversary of the policy. Our Group can terminate this insurance policy at any time and receive cash at the date of termination based on the account value of the insurance policy, which is determined based on the premium paid with the accrued returns after netting of the charges (including a surrender charge) in accordance with the terms and conditions of the insurance policy. For further details, please refer to note 18 to the Accountants’ Report as set out in Appendix I to this prospectus.

Our payments for the life insurance policy were nil, nil, approximately HK\$3.2 million and nil for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively.

To the best of the knowledge, information and belief of our Directors, except for business relationship in the usual and ordinary course of business of the Insurer or the Relevant Bank, neither the Insurer nor the Relevant Bank have any other past or present relationship (including, but not limited to, family, financing, employment or otherwise) with any of our Controlling Shareholders, our Directors, senior management of our Group or any of their respective associates.

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INDEBTEDNESS

As at 28 February 2023, being the latest practicable date for the purpose of the indebtedness statement, and save as disclosed under this paragraph headed “Indebtedness” in this section, we did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, installment loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees.

The following table sets forth our Group’s indebtedness as at the respective dates indicated. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there were no material covenants related to our outstanding debt that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 28 February 2023 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

The following table sets forth our Group’s indebtedness as at the respective dates indicated:

	As at 30 June			As at 31 October 2022	As at 28 February 2023
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current liabilities					
Bank borrowings	-	1,904	-	-	-
Lease liabilities	706	899	1,273	1,253	1,198
Amount due to a director	1,236	-	-	-	-
Amounts due to the non-controlling shareholder of a subsidiary	95	147	-	-	-
Non-current liabilities					
Bank borrowings	-	7,785	-	-	-
Lease liabilities	541	-	1,143	743	373
	2,578	10,735	2,416	1,996	1,571

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Bank borrowings

As at the respective dates indicated, our Group had interest-bearing bank borrowings as follows:

	As at 30 June			As at 31 October	As at 28 February
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Bank overdrafts – guaranteed	-	1	-	-	-
Bank borrowings – guaranteed	-	9,688	-	-	-
	-	9,689	-	-	-
	-	9,689	-	-	-

As at 30 June 2020 and 2022 and 31 October 2022 and 28 February 2023, we had no bank borrowings. As at 30 June 2021, our Group's interest-bearing bank borrowings represent an installment loan.

Bank borrowings carry variable interest at one month HIBOR plus 2.60% per annum during the year ended 30 June 2021. The weighted average effective interest rate on bank borrowings was 2.68% per annum as at 30 June 2021. For further details of our bank borrowings during the Track Record Period, please refer to note 24 to the Accountants' Report.

Our bank borrowings amounted to nil, approximately HK\$9.7 million, nil, nil and nil as at 30 June 2020, 2021 and 2022, 31 October 2022 and 28 February 2023, respectively. Our bank borrowings as at 30 June 2021 were secured by (i) personal guarantee executed by Mr. Dave Ng, and (ii) a guarantee under the SME Financing Guarantee Scheme. Our bank borrowings as at 30 June 2021 were fully repaid during the year ended 30 June 2022 and the personal guarantees provided by Mr. Dave Ng was released on 5 August 2022. For details of our Group's financial independence, please refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — (i) Financial independence" in this prospectus.

As at 30 June 2020, 2021 and 2022 and 31 October 2022, our Group did not have any unutilised bank facilities.

In December 2022, a bank overdraft facility was granted to our Group amounting to HK\$5.0 million which was secured by (i) personal guarantee executed by Mr. Dave Ng; and (ii) a charge of deposits of HK\$1 million. The said personal guarantee will be released and replaced by corporate guarantee provided by our Company upon Listing. As at 28 February 2023, we still had such bank overdraft facility and up to the Latest Practicable Date, such bank overdraft facility remains unutilised.

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Lease liabilities

Our Group recorded total lease liabilities of approximately HK\$1.2 million, HK\$0.9 million, HK\$2.4 million, HK\$2.0 million and HK\$1.6 million as at 30 June 2020, 2021 and 2022, 31 October 2022 and 28 February 2023, respectively, and such amount mainly represented the liabilities arising from our leasing of premises for workshop and warehouse purposes and general office, which generally have lease terms between one year to three years. As at 28 February 2023, the lease liabilities of approximately HK\$1.0 million was secured by rental deposits and unguaranteed and the remaining lease liabilities of approximately HK\$0.6 million was unsecured and unguaranteed.

Amounts due to a director and the non-controlling shareholder of a subsidiary

For further details, please refer to the paragraph above headed “Amounts due from/(to) a Director, a non-controlling shareholder of a subsidiary and related companies” in this section.

Capital commitments

As at 30 June 2020, 2021 and 2022, 31 October 2022 and 28 February 2023, we had no capital commitment.

Contingent liabilities

During the Track Record Period and as at the Latest Practicable Date, we did not have any material contingent liabilities.

Off-balance sheet arrangements and commitments

Our Directors confirmed that we did not have any off-balance sheet arrangements or commitments as at the Latest Practicable Date.

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KEY FINANCIAL RATIOS

	For the year ended 30 June 2020 or as at 30 June 2020	For the year ended 30 June 2021 or as at 30 June 2021	For the year ended 30 June 2022 or as at 30 June 2022	For the four months ended 31 October 2022 or as at 31 October 2022
Revenue growth	N/A	24.3%	29.0%	61.5%
Net profit growth	N/A	47.2%	-29.5%	206.4%
Gross profit margin	26.9%	29.3%	25.7%	26.2%
Net profit margin	18.5%	21.9%	12.0%	17.9%
Return on equity	75.2%	56.6%	29.2%	19.2%
Return on total assets	35.5%	37.0%	23.0%	14.8%
Current ratio	1.8 times	3.5 times	4.6 times	4.2 times
Quick ratio	1.8 times	3.5 times	4.6 times	4.2 times
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	23.9 days	28.4 days	22.9 days	14.3 days
Trade payables turnover days	22.3 days	30.9 days	19.4 days	17.0 days
Gearing ratio	7.0%	15.0%	2.5%	1.6%
Net debt to equity ratio	N/A	N/A	N/A	N/A
Interest coverage	1,833.5 times	462.1 times	108.7 times	1,176.8 times

Revenue growth

Revenue growth is calculated as the difference between revenue of the respective year and revenue of the previous corresponding year/period, then divided by revenue of the previous corresponding year/period.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the fluctuations in our revenue.

Net profit growth

Net profit growth is calculated as the difference between profit and total comprehensive income of the respective year/period and profit and total comprehensive income of the previous corresponding year/period, then divided by profit and total comprehensive income of the previous corresponding year/period.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the fluctuations in our net profits.

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Gross profit margin

Gross profit margin is calculated as gross profit divided by total revenue of the respective year/period.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the fluctuations in our gross profit margin.

Net profit margin

Net profit margin is calculated as profit and total comprehensive income for the year/period divided by total revenue of the respective year/period.

Our net profit margin was approximately 18.5% and 21.9% for the years ended 30 June 2020 and 2021, respectively, which was broadly in line with the fluctuations in our gross profit margin and the increase in our other income during the year ended 30 June 2020 and 2021 as discussed above. Our net profit margin decreased from approximately 21.9% for the year ended 30 June 2021 to approximately 12.0% for the year ended 30 June 2022. Such decrease was primarily attributable to the Listing expenses incurred of approximately HK\$14.2 million during the year ended 30 June 2022 and the increase in our administrative expenses such as from the hiring of our new financial controller in July 2021. Our net profit margin increased to approximately 17.9% for the four months ended 31 October 2022. Such increase was primarily attributable to relatively higher Listing expenses incurred of approximately HK\$14.2 million for the year ended 30 June 2022 as compared to approximately HK\$3.0 million for the four months ended 31 October 2022.

Return on equity

Return on equity is calculated as profit and total comprehensive income for the year/period divided by the ending total equity as at the respective reporting dates.

Our return on equity decreased from approximately 75.2% for the year ended 30 June 2020 to approximately 56.6% for the year ended 30 June 2021, which was mainly due to the net profit growth during the Track Record Period and fluctuations in our Group’s net profit margin as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section. Our return on equity for the year ended 30 June 2020 was higher because our total equity as at 30 June 2020 was lowered to approximately HK\$36.6 million due to the dividend declared of approximately HK\$64.1 million during the year ended 30 June 2020. Our return on equity decreased from approximately 56.6% for the year ended 30 June 2021 to approximately 29.2% for the year ended 30 June 2022 mainly due to decrease in our net profits for the year ended 30 June 2022 as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section. Our return on equity dropped to approximately 19.2% for the four months ended 31 October 2022 primarily because only net profit for four months was considered during the period.

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Return on total assets

Return on total assets is calculated as profit and total comprehensive income for the year/period divided by the ending total assets as at the respective reporting dates.

Our return on total assets slightly increased from approximately 35.5% for the year ended 30 June 2020 to approximately 37.0% for the year ended 30 June 2021. Our return on total assets decreased from approximately 37.0% for the year ended 30 June 2021 to approximately 23.0% for the year ended 30 June 2022 which was mainly due to the decrease in our net profits for the year ended 30 June 2022 as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section. Our return on total assets dropped to approximately 14.8% for the four months ended 31 October 2022 primarily because only net profit for four months was considered during the period.

Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio was approximately 1.8 times, 3.5 times and 4.6 times and 4.2 times as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively. The significant increase in our current ratio to approximately 3.5 times, 4.6 times and 4.2 times as at 30 June 2021 and 2022 and 31 October 2022, respectively, was mainly due to the net cash from operating activities of approximately HK\$14.7 million, HK\$13.2 million and HK\$33.6 million generated for the years ended 30 June 2021 and 2022 and the four months ended 31 October 2022, respectively, which increased our bank balances and cash level and improved our current ratio. In addition, our repayment of bank borrowings in June 2022 also contributed to such increase in our current ratio as at 30 June 2022 and 31 October 2022.

Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates.

The quick ratio is the same as the current ratio since our Group did not maintain any inventory during the Track Record Period.

Inventories turnover days

Due to the nature of our business model, we did not maintain any inventory during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

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Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (before allowance for credit losses) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 123 days for the four months ended 31 October 2022).

Please refer to the paragraph headed “Discussion on selected financial position items — Trade receivables” in this section for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by total costs of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 123 days for the four months ended 31 October 2022).

Please refer to the paragraph headed “Discussion on selected financial position items — Trade and other payables” in this section for the reasons for the change in our trade payables turnover days.

Gearing ratio

Gearing ratio is calculated as total borrowings (including amount due to a director and the non-controlling shareholder of a subsidiary, interest-bearing bank borrowings and lease liabilities) divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 7.0%, 15.0%, 2.5% and 1.6% as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively. The gearing ratio increased from approximately 7.0% as at 30 June 2020 to approximately 15.0% as at 30 June 2021 mainly due to our new bank borrowings raised in the year ended 30 June 2021. The gearing ratio substantially decreased to approximately 2.5% and 1.6% as at 30 June 2022 and 31 October 2022, respectively, mainly due to the full repayment of bank borrowings in June 2022.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, including amounts due to a director and the non-controlling shareholder of a subsidiary, interest-bearing bank borrowings and lease liabilities, net of bank balances and cash) divided by total equity as at the respective reporting dates.

We were at a net cash position as at 30 June 2020, 2021 and 2022 and 31 October 2022, respectively.-

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Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years/period.

Our interest coverage was approximately 1,833.5 times, 462.1 times, 108.7 times and 1,176.8 times for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, respectively. The decrease in our interest coverage from the year ended 30 June 2020 to the year ended 30 June 2021 was due to the increase in our finance costs, particularly due to new bank borrowings obtained in the year ended 30 June 2021. The decrease in our interest coverage from the year ended 30 June 2021 to the year ended 30 June 2022 was mainly due to the decrease in our net profits for the year ended 30 June 2022 as discussed above and the increase in our finance costs during the year ended 30 June 2022. The increase in our interest coverage from the year ended 30 June 2022 to the four months ended 31 October 2022 was mainly due to the decrease in our finance costs for the four months ended 31 October 2022.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Our Group is exposed to financial risks such as credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to the section headed “Business — Risk management” and note 30B to the Accountants’ Report as set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets, which was prepared to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of our Group attributable to owner of our Company as at 31 October 2022 as if the Share Offer had taken place on 31 October 2022, was approximately HK\$0.56 per Share and HK\$0.58 per Share, respectively, based on the indicative Offer Price Range of HK\$1.28 per Offer Share to HK\$1.38 per Offer Share. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted consolidated net tangible assets figure.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$41.8 million. Based on an Offer Price of HK\$1.33 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.28 per Offer Share to HK\$1.38 per Offer Share) and assuming the Over-allotment Option is not exercised, the gross proceeds from the Share Offer are expected to be approximately HK\$135.7 million. Assuming the full payment of the discretionary incentive fee to the Underwriters, the estimated expenses in relation to the Listing represents approximately 30.8% of the gross proceeds from the Share Offer, comprising of approximately HK\$8.1 million in underwriting-related expenses (including underwriting commission and joint overall coordinators’ fee) and approximately HK\$33.7 million in non-underwriting-related expenses, which are further categorised into fees and expenses of legal advisers and the

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reporting accountants of approximately HK\$17.6 million, and other fees and expenses (including the Sole Sponsor's fee) of approximately HK\$16.1 million. Out of the estimated Listing expenses of approximately HK\$41.8 million, approximately HK\$16.8 million is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately HK\$25.0 million, which cannot be so deducted, shall be charged to profit or loss and other comprehensive income, of which approximately HK\$14.2 million and HK\$3.0 million was charged for the year ended 30 June 2022 and the four months ended 31 October 2022, respectively, while the balance of approximately HK\$7.8 million is expected to be charged for the year ending 30 June 2023. All of our Listing expenses are expected to be recognised for the year ended 30 June 2022 and the year ending 30 June 2023 given that all of the professional parties engaged in relation to the Listing were appointed after 30 June 2021 and taking into account the completion of the Listing by the Listing Date, thus the expenses in connection with their appointments are expected to be recognised during those financial years. Expenses in relation to the Listing are non-recurring in nature.

DIVIDEND

During the Track Record Period, Easy Smart Engineering declared dividends for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$64.1 million, HK\$6.0 million, nil and nil, respectively, to its then shareholders, of which approximately HK\$24.4 million, HK\$6.0 million, nil and nil, respectively were paid. The remaining dividends declared of approximately HK\$39.7 million for the year ended 30 June 2020 were offset against amounts due from the then shareholders, Mr. Dave Ng and Ms. Lim. Our executive Directors confirmed that the dividend declared for the year ended 30 June 2020 represents the return to shareholders accumulated since the year ended 30 June 2012 as members of our Group did not declare any dividend since the year ended 30 June 2012.

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 7 September 2021. As at 30 June 2020, 2021 and 2022, 31 October 2022 and 28 February 2023, our Company had no reserves available for distribution to our Shareholders.

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RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into some related party transactions with our related parties. The following table sets forth our related party transactions other than employee benefits and the Reorganisation for the years indicated:

Nature of transactions	Year ended 30 June			Four months ended
	2020	2021	2022	31 October 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchase of materials	12,121	9,129	4,717	2,490
Purchase of a motor vehicle	180	-	-	-
In respect of tenancies:				
- Addition of right-of-use assets and lease liabilities	1,507	615	2,275	-
- Interest expenses on lease liabilities	8	34	14	24

Purchase of materials

During the Track Record Period, we purchased certain materials for our passive fire protection business such as fire rated boards and plasters, metal parts and components from our related parties, namely Tanda International, Warwick Building, Greatec Engineering and the Goldin Innovation Group. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, the total purchases from such related parties amounted to approximately HK\$12.1 million, HK\$9.1 million, HK\$4.7 million and HK\$2.5 million, respectively.

During the Track Record Period, our Group did not enter into any master agreement with the related parties. We normally engage our suppliers on a project-by-project basis and select our suppliers, including related parties and suppliers that are Independent Third Parties, from our approved list of suppliers through direct engagement. For the materials purchased from our related parties during the Track Record Period, we obtained quotations from one to two other Independent Third Parties and compared the terms of the quotations. The pricing of materials supplied by Tanda International, Warwick Building, Goldin Innovation Group and Greatec Engineering for the purchase of materials were comparable to those offered by the Independent Third Party suppliers of materials.

We consider various factors in the selection of our suppliers and in assessing the overall benefits to our Group from such selection. Although the lower price offered by a supplier is one major consideration, we will also consider other factors including our relationship and our experience with each supplier (such as whether they meet our quality standards) given the importance of ensuring smooth business operations and maintaining our Group's high-quality of services.

For further details of such transactions and arrangements upon the Listing, please refer to the section headed "Connected transactions" in this prospectus.

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Purchase of a motor vehicle

During the year ended 30 June 2020, our Group purchased a motor vehicle from Mr. Vincent Ng, our executive Director, at a consideration of approximately HK\$0.2 million. The price paid by our Group to Mr. Vincent Ng for the purchase of the motor vehicle was within the range of the price of the similar motor vehicle quoted in the second hand market.

Lease of properties

During the Track Record Period, our Group has entered into lease agreements with our related parties, namely, Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim, for the lease of the properties owned by them. For the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022, our Group recognised the addition of right-of-use assets and lease liabilities of approximately HK\$1.5 million, HK\$0.6 million, HK\$2.3 million and nil, respectively, and incurred interest expenses on lease liabilities of approximately HK\$8,000, HK\$34,000, HK\$14,000 and HK\$22,000, respectively. For details, please refer to the section headed “Connected transaction” in this prospectus.

In respect of the payment of rental expenses to Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim, the Independent Valuer has reviewed the relevant tenancy agreements and confirmed that, with reference to the transacted rentals of relevant comparable properties and having compared the differences of various factors of the relevant properties, and the relevant comparable properties such as location, quality, size and time, etc., the rental of those properties paid to Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim were no less favourable to the tenant, Easy Smart Engineering. The other terms and conditions contained in the relevant tenancy agreements, including the rental payment term, rental deposit and lease period, are on normal commercial terms under prevailing market conditions and are considered as fair and reasonable.

Based on the above, our Directors confirmed that (i) all these related party transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms offered by other Independent Third Parties and were fair and reasonable and in the interest of our Group and our Shareholders as a whole; and (ii) these related party transactions did not distort our results of operations during the Track Record Period or render our historical results not reflective of our future performance in a material respect. For further details on related party balances and transactions, please refer to note 31 to the Accountants’ Report set out in Appendix I to this prospectus.

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RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect since 31 October 2022 (being the date to which the latest audited consolidated financial statements of our Group were made up), and there had been no events since 31 October 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus.

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FUTURE PLANS

Please refer to the section headed “Business — Business strategies” in this prospectus for a detailed description of our business strategies.

REASONS FOR THE LISTING

Our business objectives are to maintain our established position in the passive fire protection works industry while strengthening our capabilities in providing passive fire protection solutions in Hong Kong and to create long-term Shareholder’s value.

We plan to achieve our business objectives by expanding our operations by actively seeking opportunities in more passive fire protection works projects, from both our existing and potential new customers, on top of our current projects on hand. Our executive Directors believe that the Listing is beneficial to our Company and our Shareholders as a whole.

During the Track Record Period, our five largest customers in each year/period included property developers and construction contractors and most of them are subsidiaries of companies listed on the Stock Exchange or other recognised stock exchanges. Our status as a listed company will provide reassurance to our customers in dealing with a listed peer when we tender for projects, with the added bonus of transparency as to our financial stability from compliance with Stock Exchange disclosure requirements.

The Listing will provide us with an avenue to the capital markets for equity and/or debt financing, both at the time of the Listing as well as at a later stage. Access to capital is especially important in our industry as it is one of the barriers to entry into the passive fire protection market as mentioned in the Industry Report. Our executive Directors believe that our business growth needs to be buttressed by significant financial resources and a strong capital base is essential for increasing our revenues and to support sizeable but capital intensive passive fire protection works projects and their variation orders.

Growing demand for passive fire protection works in the market

Our business strategies are supported by the expected growth in the passive fire protection works industry which is driven by market drivers such as investments in public infrastructure and facilities by the HK Government. According to the Industry Report, the market size of the passive fire protection works industry is expected to reach approximately HK\$1,247.4 million in 2026, representing a CAGR of approximately 6.1% from 2022 to 2026. One of the major market drivers in this industry is the rollout of public infrastructure projects and expedited urban development proposed by the HK Government. For example, outlined in the Chief Executive’s “2020 Policy Address”, the HK Government is expected to invest substantially in infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the coming few years, and strive to ensure the early commencement of capital works projects. In the Chief Executive’s “2021 Policy Address”, the HK Government targets to increase the overall supply of transitional housing to 20,000 units in the coming few years by providing 5,000 additional units, and increase the amount of funding under the relevant funding scheme to

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HK\$11.6 billion. In relation to passive fire protection projects available for tender in the market, according to the Industry Report, it is estimated that there were approximately 800 tenders in the passive fire protection market in Hong Kong from 2020 to 2022, with a total contract sum of over HK\$2,900 million and there were approximately 50 tenders with a contract sum more than HK\$10 million. It is further estimated, there will be approximately 950 tenders in the passive fire protection market in Hong Kong from 2023 to 2025, with a total contract sum of over HK\$3,400 million and there will be approximately 60 tenders with a contract sum more than HK\$10 million according to the Industry Report.

Given our reputation and proven track record in the passive fire protection works industry particularly in undertaking sizeable public infrastructure and facilities projects and residential projects as well as our established position, our executive Directors believe that we are well-positioned to capture new opportunities from the planned public investments by the HK Government and the growing demand for passive fire protection works in Hong Kong.

Funding requirements for executing our business plans

Our executive Directors believe that our business plans cannot be alleviated solely by working capital recycling but instead requires additional external funding for the following reasons:

- (a) There is generally a substantial gap in the time between the commencement of the works for our projects and full payment by our customers. We make progress payment applications to our customers which sets out the amount of work done and its corresponding value, such applications may be issued on a monthly basis or at even longer intervals depending on the progress and amount of completed works as well as the project's circumstances. The application is subject to examination by our customers or their representatives and the issuing of a progress payment certificate based on such examination approving the amount of works eligible for payment under the application. Depending on the terms of the relevant contracts, our customers are generally required to settle the payments to us within 14 days to 60 days from the date of invoice. Furthermore, a certain percentage of each progress payment made to our Group, usually ranging from 5% to 10% of the relevant progress payment fee, the aggregate of which is subject to the maximum amount of 5% of the total contract value, may be withheld by some customers as retention money and will be released at the end of the defect liability period. In our executive Directors' experience, the general period between the date when we start to incur significant upfront costs for the project and the first interim payments by our customers may take up to 11 months. Even after the first interim payments are received from our customers, we may continue to incur upfront costs before we start generating positive monthly net cashflow in relation to our projects. Based on our experiences with the major completed projects which contributed over HK\$10 million in revenue during the three years ended 30 June 2022, it took approximately five months to 21 months and on average of nine months for us to start generating positive monthly net cash

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flow from such major projects after their commencement (i.e. the Up-front Period) and the total amount of up-front costs incurred by our Group during the Up-front Period represented on average approximately 29.1% of the contract sum of such major projects. Considering that the estimated aggregate up-front costs for the five earmarked projects for which we intend to allocate a portion of the net proceeds from the Share Offer is approximately HK\$63.6 million, we are required to maintain substantial capital for the upfront costs of our projects.

- (b) As at 28 February 2023, we had bank balances and cash of approximately HK\$38.6 million, representing our immediately available working capital, which is lower than our bank balances and cash of approximately HK\$67.4 million as at 31 October 2022 (for further details of the fluctuations in our cash levels, please refer to the section headed “Financial information — Liquidity and capital resources — Cash flows” in this prospectus). Our Group's cashflow is also affected by our normal operational expenses. The average monthly expenses incurred by our Group, primarily comprising staff costs, subcontracting fees, costs of materials, administrative expenses and other miscellaneous expenses for our daily operations during the year ended 30 June 2022 were approximately HK\$15.6 million. We also recorded retention receivables of approximately HK\$21.5 million as at 31 October 2022. However, our executive Directors do not consider our retention receivables to be sufficient for our funding requirements given the upcoming funding requirements of certain sizeable projects and our monthly expenses, and that our retention receivables are not immediately available for use and are generally released upon expiry of the defect liability period of the relevant projects. Based on our executive Directors' estimate, we expect to receive prior to Listing no more than HK\$4 million of the retention receivables as at 31 October 2022. As we endeavour to adopt a prudent financial management strategy without excessive borrowings or reliance on our Controlling Shareholders, we must maintain sufficient available cash to support our general operations and funding obligations. Thus relying solely on working capital recycling limits the available financing for both undertaking new projects and as proof of adequate funding to tender for new projects in periods when our bank balances and cash are relatively low.
- (c) We had experienced significant growth in our ability to obtain new projects during the Track Record Period, as evidenced by the increase in the contract value of our Group's project backlog with the contract value of projects remaining being approximately HK\$130.0 million as at the end of 30 June 2020 as compared to approximately HK\$353.9 million, HK\$411.8 million and HK\$387.1 million as at 30 June 2021 and 2022 and 31 October 2022, respectively. As at the Latest Practicable Date, our Group had 35 projects in progress of which ten projects have an original contract sum exceeding HK\$10 million. Among those ten projects, three projects have an original contract sum of over HK\$50 million. Our largest project in progress as at 31 October 2022 was Project 5330, which has an original contract sum of approximately HK\$128.1 million. Without additional capital and despite our ability to grasp

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business opportunities in the market as demonstrated above, we are therefore forced to take a more conservative approach towards tendering, which inhibits our growth. Thus, we will need external funding to serve as a buffer due to the above.

- (d) Our future growth would be limited by solely relying on working capital recycling without additional capital. As noted in the section headed “Business — Operation flow — Initial preparation, approval by customers and contract signing” in this prospectus, we take into account our available resources at the relevant time which may impact the competitiveness of our tender proposals. We took a conservative approach in submitting tenders during the Track Record Period. Due to the high contract value of the backlog of our Group’s projects for the year ended 30 June 2021 and taking into account, among other things, with the limits to our available financial resources, the tenders we submitted were less competitive in general for the year ended 30 June 2022 and the four months ended 31 October 2022 compared to prior years/periods. Therefore, we recorded a relatively lower tender success rate for the year ended 30 June 2022 and the four months ended 31 October 2022. For the years ended 30 June 2020, 2021 and 2022, the four months ended 31 October 2022 and the period from 1 November 2022 to the Latest Practicable Date, we recorded a tender success rate of approximately 11.7%, 16.4%, 7.6%, 2.1% and 3.2%, respectively. Accordingly, by relying sole on working capital recycling, our Group is inhibiting our growth despite our ability to grasp business opportunities in the market as demonstrated above.
- (e) Although we have taken into account our Group’s general level of funds, estimated the amount of financing for projects before tendering and, where necessary, made other necessary arrangements to ensure adequate funding, our estimations on the amount of financing are still subject to uncertainty and may be insufficient due to subsequent changes to any of our projects such as due to variation orders. Given that our preliminary estimates and arrangements are based on the original contract sums, initial instructions and information provided by our customers and as set out in tender documents, subsequent changes such as an increase in our scope of works through variation orders or shortening of the period to complete our works may impact the amount of financing required and the sufficiency of our funding levels from time to time. The impact of variation orders on our funding is further analysed below.

In addition, our executive Directors also considered various circumstances which may cause our estimates of funding levels at the tendering stage of projects to be inaccurate and justifies further fundraising. The timing of our incurring substantial costs for projects may be impacted by the exact dates of the award of the projects and the actual work schedule of the projects. We may sometimes encounter delays in the payments by our customers which impact our previous assessments on our available funding level as we experienced during the Track Record Period, as evidenced by (i) an increase in our trade receivables that aged over 90 days as at 30 June 2021 as compared to as at 30 June 2020 as well as at 31 October 2022 compared to as at 30 June 2022; and (ii) an increase in

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our unbilled revenue in contract assets as at 30 June 2021 and 2022 as compared to as at 30 June 2020 as discussed in the sections headed “Financial information — Discussion on selected financial position items — Trade receivables” and “Financial information — Discussion on selected financial position items — Contract assets/liabilities” in this prospectus.

Another circumstance that may affect our estimates of funding levels at the tendering stage is our customers’ request for variation orders during the implementation stage. According to the Industry Report, variation orders are not uncommon in the passive fire protection works industry because the initial scope of and designs relating to the passive fire protection works, which are determined at the early stages of a project, are often revised during the implementation stage in response to the changes in the design and other construction works in the projects, project conditions and the sequence of construction works. According to the Industry Report, for projects with a contract sum over HK\$10 million, variation orders may exceed 100% of the original contract sum with the maximum amount of variation orders depending on the actual and specific circumstances of each project. Most of our major completed projects during the Track Record Period involved variation orders with an increase in the contract value to the original contract sum which result in an increase in our work and our costs for our projects and thus, there is a risk that our estimated level of funding required for our projects at the tendering stage is insufficient for our variation orders. Specifically, given that the variation orders for 18 of our top 20 projects completed during the Track Record Period and up to the Latest Practicable Date by revenue contribution increased the contract value for such projects, and on average, the amount of variation orders was approximately 53.9% of the original contract sum of the top 20 completed projects, the actual costs for such major completed projects generally exceeded our initial cost estimates at the tendering stage, and we had to reallocate our financial resources accordingly. Thus, there are no guarantees that our estimates of funding levels at the tendering stage of our projects will be enough to fund additional variation orders which arises during the implementation stage, and we have to maintain sufficient available cash to support our general operations and funding obligations as part of our prudent financial management strategy.

When undertaking our current projects and considering the options for funding our business plans, our executive Directors have previously considered alternative funding options, such as short-term borrowings from banks and other financial institutions. However, such methods of debt financing were considered unsatisfactory and less favourable than equity financing given the following reasons:

- (i) we did not own any properties to serve as collateral, it was therefore relatively impracticable for us to obtain sufficient additional borrowings from banks or other financial institutions as required by our sizeable projects at commercially justifiable terms without heavy reliance on personal guarantees and/or other forms of collaterals provided by our Controlling Shareholders. Based on such preliminary discussions with one bank in March 2022, we were given to understand that we may obtain a bank facility of HK\$7.8 million with the interest rate of HIBOR plus 3.5% to 3.75% per annum. As security for the bank facility, the licensed bank required a personal guarantee from Mr. Dave

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Ng, a pledge of a life insurance policy with a surrender value of not less than HK\$2.5 million and pledge of a property owned by Mr. Johnny Ng. However, continuance reliance on our Controlling Shareholders, executive Directors and their respective close associates for the provision of personal guarantees and other forms of financial assistance is a great hindrance to our Group in achieving financial independence;

- (ii) if no significant asset is provided as collateral and no personal guarantee is provided by our Controlling Shareholders, the bank borrowings that may be obtained by our Group may come with high interest rate. Based on the preliminary discussions with another bank in November 2022, we were given to understand that we may obtain a bank facility of HK\$10.0 million with the interest rate of prime rate plus 3% per annum without additional collateral required. Based on the prime rate of 5.625% per annum at the relevant time, the total interest rate will be 8.625% per annum. Considering the current economic background with the Hong Kong interest rate on a rising trend, the finance cost for taking out bank borrowing without collateral and personal guarantee would have an adverse impact on our Group's financial performance;
- (iii) the proceeds drawn from the banking facilities are subject to repayment obligations for the principal amount and associated interest expenses. By comparison, the proceeds from the Listing will become our equity without any additional financial repayment obligations (i.e. principal amount and associated interest expenses) towards our Shareholders under normal circumstances. If we raise additional funds by incurring debt financing, we may also be subject to various covenants under the relevant debt instruments that may, among others, restrict our business operation or ability to obtain additional financing or pay dividend; and
- (iv) our executive Directors consider that equity financing would be more sensible and provide us the flexibility by granting us access to a fundraising platform with direct access to the equity capital markets for raising funds for our business plans from time to time and support our business growth.

Given the collateral required, the relatively high interest rate proposed without such collateral as well as under the current economic conditions in Hong Kong and expected rise of interest rate in the future which has created uncertainty in the interest expense to be incurred by us if we were to adopt debt financing, debt financing is not considered an optimal solution for financing our business plans. Additionally, considering the amount required for our business plans, the proposed interest rates and debt burden on our Group, adopting debt financing is less attractive than adopting equity financing. Thus, our executive Directors consider that debt financing, such as under the bank facilities offered by licensed banks based on our experience, may only satisfy our short term funding needs and are not the best financing options for our Group's long term development.

Based on the above, our executive Directors consider that it is in the Company's best interest to opt for equity financing instead of debt financing for financing our business

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plans. Without the support of the net proceeds from the Share Offer, we are therefore limited in our financing option to implement our business strategies and plans to foster our growth and create greater return and value for our Shareholders. Upon receiving the net proceeds from the Share Offer upon the Listing, we will then be in a better position to tender for more sizeable and other attractive projects known to our Directors and available in the market.

With the net proceeds from the Share Offer and other benefits from our Listing, our executive Directors genuinely believe that we will experience additional business growth such as by alleviating the constraints on our ability to expand our workforce and undertake additional sizeable projects, which understandably require more available cash for payment of up-front costs and general working capital. Therefore, our executive Directors consider that we will need to raise additional funding through the Listing to implement our future plans.

USE OF PROCEEDS

- (a) approximately HK\$68.3 million, representing approximately 72.8% of the estimated net proceeds, will be used for financing the up-front costs of our earmarked projects and potential variation orders of our Group's projects;

As at the Latest Practicable Date, we have identified five sizeable projects with an original contract sum over HK\$10 million for which we intend to allocate net proceeds from the Share Offer for payment of their upfront costs. We intend to allocate the net proceeds from the Share Offer in the following manner: (i) approximately HK\$57.1 million (being approximately 83.7% of HK\$68.3 million) for the up-front costs of these five earmarked projects, being existing projects; and (ii) approximately HK\$11.2 million (being approximately 16.3% of HK\$68.3 million) for potential variation orders for our Group's projects, with priority on these five earmarked projects.

In the selection of projects and allocating the amount of net proceeds from the Share Offer for each project, our executive Directors have taken into account the following factors: (i) the relative importance of our existing projects in terms of project size, expected profitability, benefits of such projects to our Company's brand such as being at a landmark location, and maintaining a good relationship with the relevant customers; (ii) in relation to our existing projects, the expected work schedule of such projects including whether such project have already commenced as at the Latest Practicable Date, the expected date of completion of our work; (iii) the total expected upfront costs required and how much remains unpaid up to the Latest Practicable Date; (iv) our current cash levels, our average monthly expenses during the Track Record Period and the expected increase in the near term; and (v) the benefits of having additional available cash for taking up additional sizeable projects as discussed above.

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We intend to allocate approximately HK\$57.1 million (representing approximately 83.7% of HK\$68.3 million) of the net proceeds from the Share Offer for payment of upfront costs for our five earmarked projects. The following table sets forth the particulars of the aforesaid existing projects:

Project no.	Location	Private/ public sector	Nature of project	Customer ^{Note 1}	Capacity of customer in the project	Actual commencement date	Expected date/period of incurring significant amount of up-front costs ^{Note 2}	Expected date of completion of our works ^{Note 2}	Expected first interim payment date ^{Note 3}	Original contract sum ^{Note 4}	Expected total up-front costs	Actual costs			
												incurred up to the Latest Practicable Date	Estimated further up-front costs required	Proposed amount of net proceeds to be used	
												HK\$'000 (A)	HK\$'000 (B)	HK\$'000 (C = A - B)	
5330	A sports park in Kai Tak	Public	Public infrastructure and facilities	Customer Group F	Main contractor	March 2022	October 2022 ^{Note 5&6} April 2023 ^{Note 5&6}	January 2024 ^{Note 6}	N/A ^{Note 8}	16,088	Note 8	Note 8	Note 8	Note 8	Nil
									June 2023	74,108	Costs of materials: 6,940 Subcontracting fees: 12,660 Direct labour costs: 1,620 Others: 430 Total: 21,650	2,915	18,735	18,735	
							April 2023 ^{Note 5&6}		June 2023	37,878	Costs of materials: 3,590 Subcontracting fees: 6,380 Direct labour costs: 900 Others: 160 Total: 11,030	1,214	9,816	9,816	
5121	An express route at Yau Ma Tei West	Public	Public infrastructure and facilities	Wing Kei Structural Metalworks Company Limited	Subcontractor	April 2022	November 2023 ^{Note 6}	October 2024 ^{Note 6}	January 2024	29,702	Costs of materials: 4,330 Subcontracting fees: 3,110 Direct labour costs: 790 Others: 450 Total: 8,680	1,396	7,284	7,284	
5399	A passenger terminal at an airport in Hong Kong	Public	Public infrastructure and facilities	Customer Group E	Main contractor	May 2022	June 2023	April 2024	August 2023	22,882	Costs of materials: 2,730 Subcontracting fees: 3,370 Direct labour costs: 490 Others: 110 Total: 6,700	453	6,247	6,247	
5153	Residential development in Kai Tak	Private	Residential	Customer Group F	Main contractor	March 2023	May 2023	March 2024	July 2023	14,005	Cost of materials: 1,670 Subcontracting fees: 2,010 Direct labour costs: 340 Others: 160 Total: 4,180	160	4,020	4,020	

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Project no.	Location	Private/ public sector	Nature of project	Customer ^{Note 1}	Capacity of customer in the project	Actual commencement date	Expected date/period of incurring of up-front costs ^{Note 2}	Expected date of completion of our works ^{Note 2}	Expected first interim payment date ^{Note 3}	Original contract sum ^{Note 4}	Expected total up-front costs	Actual costs		
												incurred up to the Latest Practicable Date	Estimated further up-front costs required	Proposed amount of net proceeds to be used
												HK\$'000 (A)	HK\$'000 (B)	HK\$'000 (C = A - B)
5411	A passenger terminal at an airport in Hong Kong	Public	Public infrastructure and facilities	Customer Group E	Main contractor	June 2022	June 2023	April 2024	August 2023	39,000	Costs of materials: 4,830 Subcontracting fees: 5,400 Direct labour costs: 910 Others: 240 Total: 11,380	341	11,039	11,039
Total												63,620	6,479	57,141

Notes:

- (1) Customer Group E, Customer Group F and Wing Kei Structural Metalworks Company Limited were among our five largest customers in each year/period during the Track Record Period. For further details on their background, please refer to the section headed "Business — Our customers — Five largest customers during the Track Record Period" in this prospectus.
 - (2) The expected date/period of incurring a significant amount of up-front costs and expected date of completion for each of our earmarked projects is determined according to our executive Directors' estimation based on their experience, communications with our relevant customer, and/or the initial work schedule (where available).
 - (3) In relation to our existing projects, the expected dates/period of incurring a significant amount of up-front costs may be much later than the dates which we have commenced works mainly due to the specific requirements of projects being different and work schedule for different portions of the works which we are responsible for may vary. In our executive Directors' experience, there may be initial preparatory work we can perform after the commencement of our work. However, given our work may require the completion of the works of other contractors in the construction project such as the establishment of building foundations and construction of the structures, before we begin installing passive fire protection materials, a certain portion of our works may be set for commencement after completion of such works by other contractors and thus be at a later date. Although we have commenced works for our five earmarked projects, they are still at a relatively preliminary preparation stage and except as mentioned in Note 8 below we have not received the first interim payment from customers for such projects up to the Latest Practicable Date.
 - (4) The expected interim payment dates are determined according to our executive Directors' estimation based on their experience, the work schedule and the payment terms according to the contract or tender documents.
- These dates may change due to the progress of such projects and changes in project requirements.
- The original contract sum in respect of each project represents the contract sum stated in the contracts or tender documents. It does not take into account subsequent adjustments due to variation orders.

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- (5) We entered into multiple contracts with our customer for Project 5330 with an aggregate original contract sum of approximately HK\$128.1 million. In our executive Directors' experience, our customers may enter into additional contracts with us in relation to the same project due to the size and complexity of the project and so that different works required for the project may be managed according to their own time schedule and requirements. In determining the expected period of incurring a significant amount of up-front costs for this project, our executive Directors considered the work schedules for the different contracts for this project and based on communications with our customer.
- We began incurring a significant amount of up-front costs in October 2022 for one of the contracts for Project 5330 with an original contract sum of approximately HK\$16.1 million and expect to begin incurring a significant amount of up-front costs in April 2023 for the other two contracts for Project 5330 with an aggregate original contract sum of approximately HK\$112.0 million. We intend to allocate net proceeds from the Share Offer for the two contracts for Project 5330 which have yet to begin incurring a significant amount of up-front costs.
- (6) Based on our communications with our customers for Projects 5330 and 5121, our customers expects certain delays in the overall progress of such projects due to the impact of COVID-19 which are reflected in the work schedules for such projects and which contributed to the relatively long period between the actual commencement date and the expected dates/period of incurring significant amount of up-front costs for such projects. As we have not started incurring significant amount of up-front costs for Project 5121 and have not incurred significant amount of up-front costs for Project 5330 until October 2022, our executive Directors further confirmed that such delay did not result in a material adverse effect on the business or financial condition of our Group.
- (7) For any shortfall on the upfront cost required, our executive Directors intend to utilise the internal resources of our Group and/or debt financing. Accordingly, since the expected total upfront costs required does not take into account the potential effects of subsequent variations orders, we may be required to incur substantial upfront costs using our internal resources and/or debt financing despite the net proceeds from the Share Offer.
- (8) Given that we began incurring a significant amount of up-front costs in October 2022 and began receiving interim payments for one of the contracts for Project 5330, an estimation of the up-front costs and the further up-front costs required for this contract is no longer necessary and the total estimated up-front costs, the total actual costs incurred and further up-front costs required for Project 5330 excludes this contract.

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We also intend to allocate approximately HK\$11.2 million (representing approximately 16.3% of HK\$68.3 million) of the net proceeds from the Share Offer for variation orders in relation to our Group's projects, with priority on our five earmarked projects given our experience with the impact of our customers' variation orders requested during the implementation stage on the costs of our sizeable projects during the Track Record Period. Specifically, given that the variation orders for 18 of our top 20 projects completed during the Track Record Period and up to the Latest Practicable Date by revenue contribution during the Track Record Period increased the contract value for such projects and on average the amount of variation orders was approximately 53.9% of the original contract sum of the top 20 completed projects, the actual costs for such projects generally exceeded our initial cost estimates at the tendering stage and we had to reallocate our financial resources accordingly. The estimated amount to finance the potential variation orders for the five earmarked projects is approximately HK\$36.6 million, which is estimated based on the aggregated original contract sum of our five earmarked projects of approximately HK\$233.7 million and taking into account (i) the amount of variation orders was approximately 53.9% of the original contract sum on average for our top 20 completed projects as mentioned above; and (ii) the up-front costs ratio of our Group of approximately 29.1% based on our experiences with the major completed projects which contributed over HK\$10 million in revenue during the three years ended 30 June 2022. Taking into account that certain amount of working capital recycling will be available during the implementation stage of the projects, we propose to allocate net proceeds of approximately HK\$11.2 million from the Share Offer to finance the potential variation orders for our Group's projects, with priority on our five earmarked projects.

Despite the variation orders expected by us for the abovementioned projects, the request for variation orders is at the relevant customer's discretion and there is no guarantee that the amount of variation orders will not be less than expected or that variation orders will be requested. There is also inherent uncertainty involved in predicting the timing of such variation order requests and when we will be required to make available cash for up-front costs for variation orders.

To the best of the knowledge, information and belief of our Directors, there are 85 contracts with the aggregate tender amount of approximately HK\$506.7 million which are still undergoing the tender selection process and pending tender result up to the Latest Practicable Date. Taking into account such contracts which are still undergoing tender selection process, the estimated passive fire protection projects available for tender in the market according to the Industry Report as set out in the paragraph headed "Reasons for the Listing — Growing demand for passive fire protection works in the market" in this section, we believe that we will be able to re-allocate the net proceeds from the Share Offer for financing variation orders for other sizeable projects in the event we are not given the expected level of variation orders for our five earmarked projects.

FUTURE PLANS AND USE OF PROCEEDS

- (b) approximately HK\$9.2 million, representing approximately 9.8% of the estimated net proceeds, will be used for increasing our headcount by recruiting in the second quarter of the calendar year 2023: (i) two project managers in construction project management with at least eight years of working experience; (ii) two assistant project managers in construction project management with at least five years of working experience; (iii) two foremen with at least three years of working experience; (iv) one site agent with at least two years of working experience; (v) one quantity surveyor manager with at least five years of working experience; (vi) two quantity surveyors with three to five years of working experience; and (vii) one accounting manager with five to seven years of working experience.

The following table sets forth the types of staff we intend to recruit upon the Listing:

<u>Position</u>	<u>Number of years of working experience</u>	<u>Approximate monthly salary</u>	<u>Headcount</u>	<u>Total salary for 18 months</u>
		<i>HK\$'000</i>		<i>HK\$'000</i>
<u>Project management team</u>				
Project manager in construction project management	8 or more	80.0	2	2,880
Assistant project manager in construction project management	5 or more	40.0	2	1,440
Foremen	3 or more	30.0	2	1,080
Site agent	2 or more	25.0	1	450
<u>Quantity surveyors</u>				
Quantity surveyor manager	5 or more	70.0	1	1,260
Quantity surveyor	3-5	37.5	2	1,350
<u>Others</u>				
Accounting manager	5-7	40.0	1	720
Total		<u>322.5</u>	<u>11</u>	<u>9,180</u>

Due to the growth of our business generally and taking into account our current backlog of projects, additional hiring is required to implement our business plans as well. Our revenue increased from approximately HK\$150.0 million for the year ended 30 June 2020, to approximately HK\$186.5 million and HK\$240.5 million for the years ended 30 June 2021 and 2022, respectively. To ensure the due and timely execution of works within the timeframe as set out by our customers, we maintain our in-house project management team and quantity surveyors. In line with our business growth as evidenced by the

FUTURE PLANS AND USE OF PROCEEDS

above increase in our revenue, the number of our project management team members had generally increased during the Track Record Period and up to the Latest Practicable Date. Although we have already recruited additional project management staff and additional quantity surveyors during the Track Record Period, our executive Directors consider that it is necessary to hire additional employees particularly project managers, assistant project managers, quantity surveyors manager and quantity surveyors and sufficient supporting operational and administrative staff to undertake additional projects, particularly sizeable projects in a manner which maintains the high quality of our services and the smooth operation of our business for the following reasons:

- (i) As at the Latest Practicable Date, we had 59 employees, out of which 34 employees were members of our project management team and nine employees were our quantity surveyors. All of our project management team members and quantity surveyors were fully occupied as at the Latest Practicable Date and allocated to our existing projects, with each of our project management team members works on one to two existing projects and each of our quantity surveyors works on two to three existing projects. Some of our large-scale projects, Projects 4719 and 4908 for instance, require five project management team members and three quantity surveyors and three project management team members and two quantity surveyors, respectively, to ensure adequate monitoring of the work progress and quality control. Our staff may be required to physically attend work coordination meetings, conduct on-site visits and travel across the large area of the construction sites. Although, we have allocated our staff to more than one project where possible, taking into account such physical work requirements, the large number of counterparties they are required to communicate with as part of the project, and potential clashing of schedules, our executive Directors believe that our present allocation is our best efforts to efficiently allocate our staff while maintaining a high quality of services. In order to maintain our service quality and ensure smooth operation of our business, we may have to deploy and allocate additional staff to the projects when necessary. The current number of our project management team members and quantity surveyors limits the ability of our Group to expand our business scale.
- (ii) We plan to undertake additional projects on top of our existing scale of operation. While some of our staff will be available to handle other projects upon the completion of our existing projects and thus, can be allocated to the five earmarked projects for which we intend to allocate a portion of the net proceeds from the Share Offer for financing their upfront costs, taking into account the (i) the original contract sum, expected work schedule and complexity, expected dates or period of incurring significant upfront costs and expected practical completion dates of our five earmarked projects and (ii) the expected date of release of our manpower from our existing projects, our executive Directors

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believe that our existing manpower is insufficient to cope with the workload associated with our five earmarked projects. In particular, our executive Directors estimated that (i) certain capacity of around 14 of our project management team members and around six of our quantity surveyors would be released upon completion of existing projects and allocated to our five earmarked projects; (ii) our five earmarked projects would require a total of around 21 project management team members and nine quantity surveyors, our executive Directors believe the shortfall of manpower required for our five earmarked projects, that will not be met by release of staff from existing projects, can be met by the hiring of seven additional project management staff and three additional quantity surveyors.

- (iii) We have an increasing need for additional project management team members and quantity surveyors to handle our projects. There has been an increase in the size of projects undertaken by us as evidenced by the increase in the average revenue of our projects with revenue contribution from approximately HK\$1.4 million for the year ended 30 June 2020 to approximately HK\$2.3 million for the year ended 30 June 2022 as well as the increase in average contract sum per project with revenue contribution during the year from approximately HK\$4.0 million for the year ended 30 June 2020 to approximately HK\$8.3 million for the year ended 30 June 2022. In addition, the largest of our five earmarked projects is a landmark project with an original contract sum of approximately HK\$128.1 million which our executive Directors believe as the size of projects undertaken by our Group increases over time, our Group's current and upcoming projects are generally more complex than previous projects which would require more project management team members to maintain the high quality of our services and for smooth operation in those projects. Having considered the above, our executive Directors believe there will be more pressure on our project management team members and quantity surveyors in the future and the allocation of manpower would be more stringent as compared to our historical allocation during the Track Record Period.
- (iv) Our executive Directors believe that the improved workforce capacity will be able to alleviate our workforce limitations in tendering for new contracts, and our future tender success rates may improve as we will have more capacity and submit more competitive tender. In our Group's experience, our staff will typically have capacity to take on new projects around two to three months prior to the practical completion date of a major existing project when a substantial portion of the works is completed. Therefore, we anticipate that we can start releasing some of our staff allocated for our five earmarked projects in around the fourth quarter of the calendar year 2023, given that Project 5330, our largest earmarked project in terms of original contract sum, is expected to be practically completed in January 2024. Based on such anticipation, we submitted or plan to submit more competitive tenders during the

FUTURE PLANS AND USE OF PROCEEDS

second and third quarters of the calendar year 2023 for projects with works commencing in or after the fourth quarter of 2023.

- (c) approximately HK\$7.0 million, representing approximately 7.4% of the estimated net proceeds, will be used for upgrading the information technology system of our Group, including custom-made project management software as well as upgrades to our online platform for information on passive fire protection by investing in hardware and software.

The following table sets forth the breakdown of the amount for upgrading the information technology system of our Group:

	<u>Proposed expenditure</u>
	<i>HK\$'000</i>
Software associated with upgrading the information technology system of our Group ^(items 1-4)	2,500
Software associated with upgrading our online platform for information on passive fire protection ^(item 5)	1,300
Hardware associated with upgrades and installation, configuration and other miscellaneous costs	2,300
Support and maintenance costs ^{Note}	<u>900</u>
	<u><u>7,000</u></u>

Note: The support and maintenance costs includes three days of training as well as skill transfer and support and maintenance fees for three years.

The following sets forth the major expected upgrades and their corresponding additional features and functions:

- 1 Web-based extraction upgrade: This upgrade involves a web-based software for extracting measurements and quantities from drawings and bills of quantities so such data can be imported into our systems to be processed more efficiently and conveniently. Features and functions of this upgrade include the taking off software, bill of quantities import module, e-tender import module, contract management, and products database and product information automatic import module.

- 2 Customer relationship management and system integration upgrades: These upgrades involve the development of a new in-house customer relationship management application and system as well as an application planning interface software and integration software to connect with our other systems including enterprise resource planning system to enhance workflow automation. These upgrades will allow the

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storage of preferences and project information in the project database and assist us in marketing purposes. They will also allow the bills and work orders to be generated based on the pricing history of our customers.

- 3 Project management upgrade: This upgrade involves a project management mobile app for work management, project management and cost planning management purposes. Features and functions of this upgrade are related to, among others, task and calendar management, project planning and scheduling, team collaboration and time tracking management so that our project planning and management can be handled more effectively.
- 4 Cost database with data analysis upgrade: This upgrade involves a new cost database system with data analysis features. After the upgrade, the bill of material and building information can be managed and stored more efficiently and conveniently and allow us to better track changes in relation to the above.
- 5 Upgrades in relation to our online platform and information services: This upgrade involves upgrading features on the online platform such as multi-language option. However, it will also involve a website re-design, changes for managing roles and permissions of users and better integration of our online platform to our customer relationship management system.

Our Directors have adopted this business plan for upgrading our information technology system after taking into account the current scale of our Group's operations after the growth in recent years, the potential benefits as discussed below and the success of our passive fire protection information services since we began providing our provision of passive fire protection in 2020. However, the implementation of this plan (including the upgrades for the online platform for passive fire protection information services) was delayed due to the demands of our projects which diverted the attention of our management as well as the significant funding required for our major projects as discussed in the paragraph headed "Reasons for the Listing — Funding requirements for executing our business plans" in this section. Thus, during the Track Record Period, our Group's total expenditure on information technology (including for related staff costs, purchase of software and costs for establishing and maintaining the online platform for our passive fire protection information services) were relatively modest, being less than HK\$1.0 million. Our Directors further believe our business plan for upgrading our information technology system is in line with the construction industry trend to adopt new technological advancements to efficiently handle everyday tasks while also considering the specific needs of our Group which requires a customised solution.

According to the Industry Report, technological advancements have transformed the construction industry considerably such as with the advent

FUTURE PLANS AND USE OF PROCEEDS

of Computer-aided Design, which enables construction service providers to digitalise hand-drawn sketch from a preliminary plan layout to presentable and formal file to client, and Building Information Modelling, which is a software which works as a 3D modelling and visualisation tool to efficiently handle conceptual design, design development, rendering, and documentation for both facade and interior of a building. Thus, the Industry Report identifies the technology-enabled operational model as one of the market trends in the passive fire protection works industry, using technology to streamline procedures, elevate operating efficiency and establish a sustainable business model for service providers. Bearing in mind the above benefits and the major challenges in our industry including the shortage of labour and rising labour costs, our executive Directors believe that we will gain such benefits and better manage such challenges by embracing the industry trend towards the mechanisation of labour as we expand our business.

However, our Group's information technology needs are company specific and the customised upgrades are expected to meet our specific demands in various ways. As we undertake a larger number of projects and/or sizeable projects of greater complexity, a significant amount of paperwork and data processing are required. Our operations staff will also have to travel across various projects while their workload is increased. In order to minimise the burden on our staff and allow them to focus on the physical demands of our projects, one of the features is a web-based solution for extracting measurements, quantities and other data from drawings, bills of quantities and other typical documentation so that such information can be more efficiently and conveniently extracted with reduced labour and then electronically stored and processed. Another feature is a project management mobile app for work management, project management and cost planning management which allows for convenient access to information by our operations staff while on or travelling between sites and allows them to more easily track projects such as those behind schedule, over-budget or otherwise deserving of attention. In order to address the changes to the prices, costs and milestone dates of our projects which may occur due to demands from our customers, variation orders and unexpected developments, our upgrades will involve the development of an application programming interface that connects with our enterprise resource planning system to manage our works orders and projects. This feature will assist us in automatically updating important project information across our various systems with reduced work and human error as compared to inputting such data manually. Accordingly, one of the main benefits of such upgrades is to increase our capacity to manage additional projects and/or sizeable projects of greater complexity through the above supporting features.

Furthermore, in order to reach new customers and strengthen our brand recognition in Hong Kong, it is necessary to embrace advances in technologies and use different avenues to reach potential customers and maintain our relationship with existing customers. In 2020, capitalising on our expertise

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and experience in providing passive fire protection solutions, we established an online platform for subscribers to receive passive fire protection information. As part of our upgrades, we will also expand the scale of our online platform in terms of its capabilities and integrate this system with our customer relationship management system. Through such upgrades, our Directors believe we can increase the attractiveness of our information services, and replicate and expand upon the success in reaching new customers to be subscribers for our services and which may also subsequently engage us for passive fire protection projects similar to certain subscribers during the Track Record Period (for further details, please refer to the section headed “Business — Our business — Provision of passive fire protection information services” in this prospectus).

Finally, as our scale of operations and our business grows more complex, we will need a more sophisticated information technology system to record and analyse our operational and financial data. Our upgrades will allow us to have a centralised database for our operational and financial information while also providing data analysis functions such as comparing profitability and costs between each of our customers, suppliers or projects. Based on the above, it will enable our management to oversee our business and more easily and efficiently summarise the overall condition of our Group with more up-to-date performance, operational and financial metrics and allow us to better fulfil our obligations under the Listing Rules.

In adopting a customer solution instead of pre-packaged options in the market, our Directors have considered that by adopting a customised solution which takes into account our existing processes, the upgrades will be able to satisfy our needs while also minimising disruptions to our existing operations. In order to assist our staff in adjusting to such upgrades, the costs for such upgrades also include three days of training and skill transfer as well as certain support services.

Based on the above, we have decided to invest in such upgrades to our information technology system and our Directors believe such upgrades are necessary to create sustainable growth for our business and to prepare for our long-term development.

- (d) approximately HK\$9.4 million, representing approximately 10.0% of the estimated net proceeds, will be reserved as our general working capital.

There can be no assurance that the net proceeds from the Share Offer will be sufficient to fully implement our business expansion plans. For example, (i) the amount of financing for the up-front costs of our earmarked projects and variation orders of our Group's projects may exceed the net proceeds from the Share Offer allocated for such purposes as set forth above; (ii) the additional employees we intend to hire may not fulfill our staffing needs as we undertake more projects; and (iii) to make a meaningful impact, we may need to invest more capital than originally planned in order to build an information technology system that is capable of functioning the way we intend.

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To the extent our net proceeds from the Share Offer are not sufficient to fund the purposes set out above, we intend to finance the balance through a variety of means, including cash generated from operations and bank financing.

If the Offer Price is set at the high end of the indicative Offer Price range, being HK\$1.38 per Offer Share, the net proceeds of the Share Offer (assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$4.8 million. If the Offer Price is set at the low end of the indicative Offer Price range, being HK\$1.28 per Offer Share, the net proceeds of the Share Offer (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK\$4.8 million. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes pro-rata to what is set out above.

If the Over-allotment Option is exercised in full, the net proceeds of the Share Offer will increase by approximately HK\$19.1 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high end of the indicative Offer Price range, the net proceeds of the Share Offer (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$24.6 million. If the Offer Price is set at the low end of the indicative Offer Price range, the net proceeds of the Share Offer (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$13.6 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option for the purposes on a pro-rata basis to what is set out above.

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course. To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we will hold such funds in short-term deposits with licensed banks and/or authorised financial institutions (as defined under the Securities and Futures Ordinance) in Hong Kong. We will also disclose the same in the relevant annual report.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Head & Shoulders Securities Limited
Grande Capital Limited
CMBC Securities Company Limited
BOCOM International Securities Limited
Astrum Capital Management Limited
Eddid Securities and Futures Limited
Maxa Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer initially 10,200,000 Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the **GREEN** Application Form.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all our Shares in issue and any Shares to be issued as mentioned in this prospectus (including any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the **GREEN** Application Form and the Public Offer Underwriting Agreement.

In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Overall Coordinators (for themselves and on behalf of the Public Offer Underwriters) shall in their absolute discretion by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**"), if any of the following events shall occur prior to the Termination Time:

- (a) there comes to the notice of the Joint Overall Coordinators:
 - (i) any statement contained in this prospectus, the **GREEN** Application Form, the formal notice or any announcements or documents issued by

UNDERWRITING

our Company in connection with the Share Offer (including any supplement or amendment thereto) (the “**Relevant Documents**”) considered by the Joint Overall Coordinators in their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect or misleading in any material respect, or any expressions of opinion, intention or expectation contained in any of such documents are not, in the absolute opinion of the Joint Overall Coordinators, fair and honest and based on reasonable assumptions in any material respect, when taken as a whole;

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Joint Overall Coordinators in their absolute opinion to be material in the context of the Share Offer;
- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreements (other than upon any of the Underwriters) considered by the Joint Overall Coordinators in their absolute opinion to be material in the context of the Share Offer;
- (iv) either (A) there has been a breach of any of the warranties given by any of our Company, our Controlling Shareholders or our executive Directors contained in the Public Offer Underwriting Agreement; or (B) any matter or event showing or rendering any of the aforesaid warranties, as applicable, in the absolute opinion of the Joint Overall Coordinators, to be untrue, incorrect or misleading in any material respect when given or repeated;
- (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of our Company, our Controlling Shareholders or our executive Directors pursuant to the indemnity provisions under the Underwriting Agreements or the Share Offer to be performed or implemented as envisaged;
- (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date (other than subject to customary conditions) or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (vii) our Company withdraws any of the Relevant Documents; or
- (viii) any person (other than the Sole Sponsor, the Joint Overall Coordinators or any of the Underwriters) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

UNDERWRITING

- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event in the nature of force majeure, including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks, adverse mutation or aggravation of diseases or epidemics (including but not limited to COVID-19, MERS, H1N1 flu, H5N1 and H7N9 and such related/mutated forms), accidents, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) in the PRC, Hong Kong, the BVI and the Cayman Islands (the **“Relevant Jurisdictions”**);
 - (ii) any change or development involving a prospective change, or any event, matters or circumstances likely to result in any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation, conditions in the credit market, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar against any foreign currency) in or affecting the Relevant Jurisdictions;
 - (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority, in each case, in or affecting the Relevant Jurisdictions;
 - (iv) the imposition of economic sanctions against any member of our Group, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) or by any of the Relevant Jurisdictions;
 - (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions;
 - (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus;

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- (vii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any of our executive Directors;
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the Chairperson of our Board or any of our executive Directors of our Company vacating his/her office in circumstances where the operations of our Group may be adversely affected;
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against an executive Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take such action;
- (xi) any contravention by any member of our Group or any executive Director of the Companies Ordinance, Companies (Miscellaneous Provisions) Ordinance, the Companies Act, the Listing Rules, the SFO or any applicable laws;
- (xii) a prohibition on our Company for whatever reason from allotting, issuing or selling (as the case may be) the Offer Shares pursuant to the terms of the Share Offer;
- (xiii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription or purchase of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable laws;
- (xiv) other than with the written approval of the Joint Overall Coordinators, the issue by our Company of a supplement or an amendment to this prospectus (and/or any other documents used in connection with the subscription of the new Shares) pursuant to the Companies Ordinance, Companies (Miscellaneous Provisions) Ordinance or the Listing Rules;
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;

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- (xvi) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertakings of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group; or
- (xvii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any government authority,

which in each case or in aggregate in the absolute opinion of the Joint Overall Coordinators (for themselves and on behalf of the Public Offer Underwriters):

- (A) is or will be or may be materially adverse to or may prejudicially affect the general affairs, management, business, financial or trading condition or prospects of our Group (as a whole) or any member of our Group; or
- (B) has or will have or may have a material adverse effect on the success, marketability of the Share Offer or the level of interest under the Share Offer; or
- (C) makes it inadvisable or impracticable to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (D) has or will have or may have the effect of making any part of the Underwriting Agreements (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreements or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

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Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except under the Capitalisation Issue or the Offer Shares to be issued pursuant to the Share Offer (including pursuant to the Over-allotment Option) or under any of the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders has undertaken to us and the Stock Exchange that, except pursuant to the Share Offer (including pursuant to the Over-Allotment Option) or the Stock Borrowing Agreement, he/it will not, and shall procure that the relevant registered holder(s) of the Shares will not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of any of our Shares in respect of which they are shown by this prospectus to be the beneficial owners (the “**Relevant Securities**”); or
- (b) in the period of the six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan), any of the Relevant Securities if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules) of our Company.

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In accordance with Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he/it will:

- (a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares or other securities of our Company so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform us in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertaking by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to the Joint Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Capital Market Intermediaries and the Public Offer Underwriters that, and our Controlling Shareholders have agreed to procure that, except for the offer and sale of the Offer Shares pursuant to the Share Offer (including pursuant to the Over-Allotment Option), during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Half-Year Period**”), our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities

UNDERWRITING

of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Further, in the event that, during the period of six months commencing on the date on which the First Half-year Period expires (the “**Second Half-Year Period**”), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Our Controlling Shareholders undertake to each of the Joint Overall Coordinators, the Public Offer Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings set out above.

None of the undertakings set out above shall: (i) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (ii) restrict any of our Company’s subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor and the Joint Overall Coordinators (for themselves and on behalf of all the Capital Market Intermediaries and the Public Offer Underwriters) that, without the prior written consent of the Sole Sponsor and the Joint Overall Coordinators (for themselves and on behalf of the Capital Market Intermediaries and the Public Offer Underwriters) and unless in compliance with the Listing Rules and/or pursuant to the Stock Borrowing Agreement:

- (a) at any time during the First Half-Year Period, it/he will not:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as applicable) (the “**Relevant Shares**”) or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the “**Holding Entity**”); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares or an interest in any Holding Entity; or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (b) at any time during the Second Half-Year Period, it/he will not enter into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of our Company; and

UNDERWRITING

- (c) until the expiry of the Second Half-Year period, in the event that it/he enters into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it/he will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Placing

In connection with the Placing, it is expected that our Company, our Controlling Shareholders and our executive Directors will enter into the Placing Underwriting Agreement with, among others, the Sole Sponsor, the Joint Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Placing Underwriters.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed "Undertakings pursuant to the Public Offer Underwriting Agreement" above in this section.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company or our Controlling Shareholders of the Public Offer Underwriting Agreement.

Fees, commission and expenses

The Public Offer Underwriters and the Placing Underwriters will receive an underwriting commission of 4.0% of the aggregate Offer Price payable for the Public Offer Shares/Placing Shares offered under the Public Offer (excluding any Public Offer Shares reallocated to the Placing) and the Placing, including Offer Shares to be issued pursuant to the Over-allotment Option. The Joint Overall Coordinators are entitled to a total joint overall coordinators' fee of 2.0% of the gross proceeds from the Share Offer (including any proceeds from the exercise of the Over-allotment Option) (together with the underwriting commissions in respect of the Offer Shares, the "Fixed Fees").

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Our Company, in its sole and absolute discretion, may pay one or more Underwriters a total discretionary incentive fee of up to 1.0% of the gross proceeds from the Share Offer (including any proceeds from the exercise of the Over-allotment Option) (the “**Discretionary Fees**”). Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and Discretionary Fees is therefore approximately 85.7:14.3.

The aggregate of the underwriting commissions payable to the Underwriters and the joint overall coordinators’ fee to the Joint Overall Coordinators in relation to the Share Offer (assuming the Offer Price is HK\$1.33, being the mid-point of the indicative Offer Price range, the full payment of the discretionary incentive fee to the Underwriters and the Over-allotment Option is not exercised) will be approximately HK\$9.5 million.

Assuming the Offer Price is HK\$1.33, being the mid-point of the indicative Offer Price range, the full payment of the discretionary incentive fee to the Underwriters and assuming the Over-allotment Option is not exercised, the total underwriting commission, the total joint overall coordinators’ fee, and fees and expenses relating to the Share Offer and Listing (including the Listing fees, SFC transaction levy, AFRC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing), are estimated to be approximately HK\$41.8 million and are payable and borne by our Company.

The Sole Sponsor will receive a sponsorship fee of approximately HK\$6.2 million in relation to the Listing and will be reimbursed for their expenses.

PUBLIC OFFER UNDERWRITERS’ INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, the Public Offer Underwriters are not interested legally or beneficially in the shares of any of our Group’s members or have any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

Sole Sponsor’s interests in our Company

The Sole Sponsor will be appointed as the compliance adviser of our Company with effect from the Listing Date until dispatch of the audited financial results for the first full financial year after the Listing Date.

Save for the abovementioned, its interests and obligations under the Underwriting Agreements, the Sole Sponsor is not interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

UNDERWRITING

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure and conditions of the Share Offer” in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Share Offer comprises (subject to the Over-allotment Option):

- (a) the Public Offer of 10,200,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (b) the Placing of 91,800,000 Placing Shares (subject to reallocation as mentioned below) in Hong Kong to professional, institutional and/or other investors.

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both.

The Offer Shares will represent approximately 25% of the total issued share capital of our Company immediately after the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised).

The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (a) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the agreement for determination of the Offer Price between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company having been duly executed on the Price Determination Date and such agreement not subsequently having been terminated;
- (c) the Offer Price having been duly determined; and
- (d) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Overall Coordinators (for themselves and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus. The

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.easysmart.com.hk on the next Business Day following such lapse.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 10,200,000 Public Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of the total issued share capital of our Company immediately after the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 50% of the Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The final Offer Price, level of indications of interest in the Placing, the level of applications of the Public Offer, the basis of allocations of the Public Offer Shares are expected to be announced on Monday, 8 May 2023 through a variety of channels as described in the section headed “How to apply for the Public Offer Shares — 11. Publication of results” in this prospectus.

Reallocation of the Offer Shares between the Public Offer and the Placing

The allocation of the Offer Shares between the Public Offer and the Placing is at the discretion of the Joint Overall Coordinators, subject to reallocation on the following basis:

1. The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment pursuant to Practice Note 18 of the Listing Rules as follows:
 - (a) if the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 20,400,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 30,600,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option);
 - (b) if the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 30,600,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 40,800,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option); and
 - (c) if the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 40,800,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 51,000,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option).

Any such clawback and reallocation between the Placing and the Public Offer will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

2. The Joint Overall Coordinators may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 20,400,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer) and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.28) per Offer Share.
3. If the Public Offer is not fully subscribed, the Joint Overall Coordinators has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing in such proportions as the Joint Overall Coordinators deem appropriate. However, if neither the Public Offer nor the Placing is fully subscribed, the Placing will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this Prospectus and the Underwriting Agreements.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on or before Monday, 8 May 2023.

THE PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above and the exercise of the Over-allotment Option, the number of Offer Shares to be initially offered under the Placing will be 91,800,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised).

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the paragraph headed “Offer Price — Price determination of the Share Offer” in this section and will be determined by the Joint Overall Coordinators based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Overall Coordinators so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

OFFER PRICE

Price determination of the Share Offer

The Offer Price will be fixed by agreement between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, 28 April 2023. If our Company and the Joint Overall Coordinators are unable to reach an agreement on the Offer Price on or before Sunday, 7 May 2023, the Share Offer will not become unconditional and will lapse immediately.

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.easysmart.com.hk a notice of the reduction in the number of Offer Shares being offered under the Public Offer and/or the indicative Offer Price range or to be announced in such manner as permitted under the Listing Rules and agreed between our Company and the Joint Overall Coordinators. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Public Offer and/or the Offer Price, extend the period under which the Public Offer was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Offer Shares to

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus. In the event that there is a reduction in the Offer Shares and/or indicative Offer Price range, the Joint Overall Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Overall Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price reduced, applicants under the Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received, and all unconfirmed applications will not be valid.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.easysmart.com.hk a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will not be more than HK\$1.38 per Offer Share and is expected to be not less than HK\$1.28 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

Price payable on application

Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$1.38 for each Offer Share (plus brokerage of 1%, Stock Exchange trading fee of 0.00565%, AFRC transaction levy of 0.00015% and SFC transaction levy of 0.0027%), amounting to a total of HK\$2,787.83 for each board lot of 2,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$1.38 for each Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee, AFRC transaction levy and the SFC transaction levy attributable to the surplus application monies, without any interest) will be made to applicants.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, level of indications of interest in the Placing, the levels of applications of the Public Offer, the basis of allocations of the Public Offer Shares are expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.easysmart.com.hk on Monday, 8 May 2023.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, it is expected that we will grant the Over-allotment Option to the Placing Underwriters. Pursuant to the Over-allotment Option, the Placing Underwriters will have the right, exercisable by the Joint Overall Coordinators (for themselves and on behalf of the Placing Underwriters) at any time within 30 days from the last date for lodging applications under the Public Offer, to require us to issue up to 15,300,000 Shares, representing approximately 15% of the Offer Shares initially available under the Share Offer, at the Offer Price under the Placing to, among other things (such as effecting the permitted stabilising actions as set out in the paragraph headed "Stabilisation" in this section below), cover over-allocations in the Placing, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Share Offer and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Share Offer, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Stabilising Manager may choose to enter into an agreement with Lofty Profit, a Controlling Shareholder of us, to borrow, whether on its own or through its affiliates, up to 15,300,000 Shares, representing approximately 15% of the total number of the Offer Shares initially available for the Share Offer. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Lofty Profit by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Lofty Profit or its nominee(s) within three Business Days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Lofty Profit by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

UNDERWRITING

The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements. Our Company expects to enter into the Underwriting Agreements relating to the Share Offer on or about the Price Determination Date. The underwriting arrangements, and the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 9 May 2023. The Shares will be traded in board lots of 2,000 Shares each. The stock code for the Shares is 2442.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Public Offer. We will not provide any printed copies of this prospectus or any printed copies of the **GREEN** Application Form for use by the public.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.easysmart.com.hk. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

We will not provide any printed Application Form for use by the public.

To apply for Public Offer Shares, you may:

- (1) apply online via the **eWhite Form** Service Provider through the designated website at www.ewhiteform.com.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request.

If you apply through channel (1) above, the Public Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Public Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the **eWhite Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply for Public Offer Shares online through the **eWhite Form**, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If an application is made by a person under a power of attorney, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, Joint Bookrunners and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **eWhite Form** for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or the chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **eWhite Form** carefully; otherwise, your application may be rejected.

By applying through the **eWhite Form** or **CCASS EIPO**, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners and the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Miscellaneous Provisions) Ordinance, the Companies Act and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and the **GREEN** Application Form and on the designated website under the **eWhite Form** service; and agree to be bound by them;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and on the designated website under the **eWhite Form** service;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) (where applicable) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by applying through the **CCASS EIPO** service or to the **eWhite Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by applying through the **CCASS EIPO** service; and (b) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **eWhite Form** service or the **CCASS EIPO** service must be for a minimum of 2,000 Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Public Offer Shares applied for	Amount payable on application HK\$	No. of Public Offer Shares applied for	Amount payable on application HK\$	No. of Public Offer Shares applied for	Amount payable on application HK\$	No. of Public Offer Shares applied for	Amount payable on application HK\$
2,000	2,787.83	20,000	27,878.35	200,000	278,783.45	2,500,000	3,484,793.26
4,000	5,575.67	30,000	41,817.52	300,000	418,175.19	3,000,000	4,181,751.90
6,000	8,363.50	40,000	55,756.69	400,000	557,566.92	3,500,000	4,878,710.56
8,000	11,151.34	50,000	69,695.86	500,000	696,958.66	4,000,000	5,575,669.20
10,000	13,939.17	60,000	83,635.04	600,000	836,350.38	4,500,000	6,272,627.86
12,000	16,727.01	70,000	97,574.21	800,000	1,115,133.85	5,100,000 ^{Note}	7,108,978.24
14,000	19,514.84	80,000	111,513.39	1,000,000	1,393,917.30		
16,000	22,302.68	100,000	139,391.74	1,500,000	2,090,875.96		
18,000	25,090.51	150,000	209,087.60	2,000,000	2,787,834.60		

Note Maximum number of Public Offer Shares you may apply for.

No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH EWHITE FORM

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section, may apply through the **eWhite Form** for the Offer Shares to be allotted and registered in their own names through the designated website at www.ewhiteform.com.hk.

Detailed instructions for application through the **eWhite Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **eWhite Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

Time for submitting applications under the eWhite Form

You may submit your application to the **eWhite Form** Service Provider at www.ewhiteform.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 25 April 2023 until 11:30 a.m. on Friday, 28 April 2023 and the latest time for completing full payment of application monies in respect of such

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

applications will be 12:00 noon on Friday, 28 April 2023 or such later time under the paragraph headed “ 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **eWhite Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **eWhite Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **eWhite Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **eWhite Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square 8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Applying through the CCASS EIPO service

Where you have applied through the **CCASS EIPO** service (either directly or indirectly through a broker or custodian) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners and the Joint Lead Managers, the Underwriters and any of their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving banks, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Miscellaneous Provisions) Ordinance, the Companies Act and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Effect of applying through the CCASS EIPO service

By applying through the **CCASS EIPO** service (either directly or indirectly through a broker or custodian), you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for inputting electronic application instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 25 April 2023	—	9:00 a.m. to 8:30 p.m.
Wednesday, 26 April 2023	—	8:00 a.m. to 8:30 p.m.
Thursday, 27 April 2023	—	8:00 a.m. to 8:30 p.m.
Friday, 28 April 2023	—	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 25 April 2023 until 12:00 noon on Friday, 28 April 2023 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 28 April 2023, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists” in this section.

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

Personal data

The following Personal Information Collection Statement applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving banks, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal information collection statement

This Personal Information Collection Statement informs applicant for, and holder of, the Offer Shares, of the policies and practices of the Company and its Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Public Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Branch Share Registrar when applying for the Public Offer Shares or transferring the Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Failure to supply the requested data may result in your application for the Public Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Public Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Public Offer Shares inform the Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- (a) processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Offer Shares;
- (b) compliance with applicable laws and regulations in Hong Kong and elsewhere;
- (c) registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- (d) maintaining or updating the Company's Register of Members;
- (e) verifying identities of the holders of the Company's Shares;
- (f) establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- (g) distributing communications from the Company and its subsidiaries;
- (h) compiling statistical information and profiles of the holder of the Company's Shares;
- (i) disclosing relevant information to facilitate claims on entitlements; and
- (j) any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Branch Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Transfer of personal data

Personal data held by the Company and its Hong Kong Branch Share Registrar relating to the holders of the Public Offer Shares will be kept confidential but the Company and its Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- (a) the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- (b) where applicants for the Public Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- (c) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;
- (d) the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- (e) any persons or institutions with which the holders of the Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of the Public Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Public Offer Shares have the right to ascertain whether the Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Public Offer Shares through the **CCASS EIPO** service (either directly or indirectly through a broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **eWhite Form services** is also only a facility provided by the **eWhite Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **eWhite Form** services will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 28 April 2023.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service or **eWhite Form** services, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;

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- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee in full upon application for Shares.

You may submit an application through the **eWhite Form** services in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the prospectus, or as otherwise specified on the designated website at www.ewhiteform.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer — Offer Price — Price determination of the Share Offer” in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 28 April 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 28 April 2023 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

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11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 8 May 2023 on our Company's website at www.easysmart.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.easysmart.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 8 May 2023;
- from the designated results of allocations website at www.eWhiteform.com.hk/results with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Monday, 8 May 2023 to 12:00 midnight on Sunday, 14 May 2023;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Monday, 8 May 2023 to Monday, 15 May 2023 (excluding Saturday, Sunday and Public Holidays);

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

- (i) If your application is revoked:

By applying through the **CCASS EIPO** service or to **eWhite Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time

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of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the **eWhite Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iv) If:

- you make multiple applications or suspected multiple applications;
- your **electronic application instructions** through the **eWhite Form Service Provider** are not completed in accordance with the instructions, terms and conditions on the designated website;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sole Sponsor, the Joint Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.38 per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Monday, 8 May 2023.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for application money paid.

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 8 May 2023. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 9 May 2023 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply through the eWhite Form

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 8 May 2023, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 8 May 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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(ii) If you apply through the CCASS EIPO

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 8 May 2023, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of results" in this section above on Monday, 8 May 2023. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 8 May 2023 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 8 May 2023. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares

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credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 8 May 2023.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Settlement Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-62 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EASY SMART GROUP HOLDINGS LIMITED AND GRANDE CAPITAL LIMITED

Introduction

We report on the historical financial information of Easy Smart Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-62, which comprises the consolidated statements of financial position of the Group as at 30 June 2020, 2021 and 2022 and 31 October 2022, the statements of financial position of the Company as at 30 June 2022 and 31 October 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 30 June 2022 and four months ended 31 October 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 April 2023 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 30 June 2020, 2021 and 2022 and 31 October 2022, of the Company's financial position as at 30 June 2022 and 31 October 2022 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 consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 31 October 2021 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.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 April 2023

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 consolidated 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") 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 Hong Kong dollar ("**HK dollar**" or "**HK\$**") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	NOTES	Year ended 30 June			Four months ended 31 October	
		2020	2021	2022	2021	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	6	149,993	186,466	240,465	81,146	131,048
Costs of services		(109,627)	(131,915)	(178,590)	(58,267)	(96,764)
Gross profit		40,366	54,551	61,875	22,879	34,284
Other income	7	479	2,697	511	63	702
Impairment losses, net of reversal		74	(169)	(718)	(2)	(140)
Administrative expenses		(7,879)	(7,999)	(9,943)	(3,656)	(3,734)
Finance costs	8	(18)	(105)	(346)	(123)	(24)
Listing expenses		-	-	(14,191)	(8,311)	(2,953)
Other expenses	25	(37)	(561)	93	-	85
Profit before taxation	9	32,985	48,414	37,281	10,850	28,220
Income tax expense	10	(5,188)	(7,503)	(8,445)	(3,201)	(4,787)
Profit and total comprehensive income for the year/period		<u>27,797</u>	<u>40,911</u>	<u>28,836</u>	<u>7,649</u>	<u>23,433</u>
Profit and total comprehensive income for the year/period attributable to:						
Owner of the Company		27,541	40,513	28,766	7,579	23,433
Non-controlling interest		256	398	70	70	-
Profit and total comprehensive income for the year/period		<u>27,797</u>	<u>40,911</u>	<u>28,836</u>	<u>7,649</u>	<u>23,433</u>
Earnings per share attributable to equity owner of the Company						
- Basic (HK cents)	13	<u>9.00</u>	<u>13.24</u>	<u>9.40</u>	<u>2.48</u>	<u>7.66</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 30 June			As at
		2020	2021	2022	31 October
		HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000	
Non-current assets					
Property, plant and equipment	14	764	1,300	1,289	1,116
Right-of-use assets	15	1,245	888	2,411	1,982
Amounts due from related companies	20	600	–	–	–
Rental deposits	17	195	156	215	174
A financial asset at FVTPL	18	–	–	3,179	3,179
Deferred tax assets	26	250	271	58	97
		<u>3,054</u>	<u>2,615</u>	<u>7,152</u>	<u>6,548</u>
Current assets					
Trade receivables	16	11,533	17,328	12,069	16,817
Other receivables, deposits and prepayments	17	338	460	6,037	7,909
Contract assets	19	37,135	48,208	64,803	59,760
Amounts due from related companies	20	750	600	–	–
Bank balances and cash	21	25,396	41,344	35,082	67,443
		<u>75,152</u>	<u>107,940</u>	<u>117,991</u>	<u>151,929</u>
Current liabilities					
Trade and other payables	22	28,076	17,068	12,697	27,684
Contract liabilities	19	4,114	815	358	442
Amount due to a director	20	1,236	–	–	–
Amount due to a non-controlling shareholder of a subsidiary	20	95	147	–	–
Income tax payable		6,783	9,810	11,210	6,545
Lease liabilities	23	706	899	1,273	1,253
Bank borrowings	24	–	1,904	–	–
Provision	25	37	598	85	–
		<u>41,047</u>	<u>31,241</u>	<u>25,623</u>	<u>35,924</u>

	NOTES	As at 30 June			As at
		2020	2021	2022	31 October
		HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000	
Net current assets		34,105	76,699	92,368	116,005
Total assets less current liabilities		37,159	79,314	99,520	122,553
Non-current liabilities					
Lease liabilities	23	541	–	1,143	743
Bank borrowings	24	–	7,785	–	–
		541	7,785	1,143	743
Net assets		36,618	71,529	98,377	121,810
Capital and reserves					
Share capital	27	10	10	–*	–*
Reserves		36,305	70,878	98,377	121,810
Equity attributable to owner of the Company		36,315	70,888	98,377	121,810
Non-controlling interest		303	641	–	–
Total equity		36,618	71,529	98,377	121,810

* Less than HK\$1,000

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		<u>As at 30 June</u>	<u>As at</u> <u>31 October</u>
	<u>NOTES</u>	<u>2022</u>	<u>2022</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current asset			
Investment in a subsidiary	32	_*	_*
Current assets			
Other receivable and prepayments	17	4,479	5,846
Bank balances	21	100	97
		<u>4,579</u>	<u>5,943</u>
Current liabilities			
Accrued expenses	22	4,329	4,565
Amount due to a subsidiary	20	14,455	18,539
		<u>18,784</u>	<u>23,104</u>
Net current liabilities and net liabilities		<u>(14,205)</u>	<u>(17,161)</u>
Equity			
Share capital	27	_*	_*
Accumulated losses	28	(14,205)	(17,161)
Deficiency of the total equity		<u>(14,205)</u>	<u>(17,161)</u>

* less than HK\$1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Company					Total equity
	Share capital	Other reserve	Retained profits	Total	Non- controlling interest	
	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2019	10	–	72,177	72,187	688	72,875
Profit and total comprehensive income for the year	–	–	27,541	27,541	256	27,797
Dividend recognised as distribution (note 12)	–	–	(63,413)	(63,413)	(641)	(64,054)
At 30 June 2020	10	–	36,305	36,315	303	36,618
Profit and total comprehensive income for the year	–	–	40,513	40,513	398	40,911
Dividend recognised as distribution (note 12)	–	–	(5,940)	(5,940)	(60)	(6,000)
At 30 June 2021	10	–	70,878	70,888	641	71,529
Profit and total comprehensive income for the year	–	–	28,766	28,766	70	28,836
Issue of ordinary shares by the Company (Note 27)	–*	–	–	–*	–	–*
Deemed distribution arising from Reorganisation (Note 2(b))	–	(1,988)	–	(1,988)	–	(1,988)
Acquisition of non-controlling interest (Note 2(b))	–	711	–	711	(711)	–
Effect of the Reorganisation (Note 2(d))	(10)	10	–	–	–	–
At 30 June 2022	–*	(1,267)	99,644	98,377	–	98,377
Profit and total comprehensive income for the period	–	–	23,433	23,433	–	23,433
At 31 October 2022	–*	(1,267)	123,077	121,810	–	121,810

	Attributable to owner of the Company					Total equity
	Share capital	Other reserve	Retained profits	Total	Non-controlling interest	
	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2021	10	–	70,878	70,888	641	71,529
Profit and total comprehensive income for the period (unaudited)	–	–	7,579	7,579	70	7,649
Issue of ordinary shares by the Company (Note 27) (unaudited)	–*	–	–	–*	–	–*
Deemed distribution arising from Reorganisation (Note 2(b)) (unaudited)	–	(1,988)	–	(1,988)	–	(1,988)
Acquisition of non-controlling interest (Note 2(b)) (unaudited)	–	711	–	711	(711)	–
Effect of the Reorganisation (Note 2(c)) (unaudited)	(10)	10	–	–	–	–
At 31 October 2021 (unaudited)	–*	(1,267)	78,457	77,190	–	77,190

* less than HK\$1,000

Note: Other reserve represents the aggregate amount of (i) the deemed distribution of approximately HK\$1,988,000 resulting from the acquisition of 30% interest of Easy Smart Maintenance Engineering Limited (“**Easy Smart Maintenance**”) held by Mr. Ng Wing Woon Dave (“**Mr. Dave Ng**”) by Easy Smart Engineering Limited (“**Easy Smart Engineering**”); (ii) the deemed contribution of Mr. Dave Ng for acquiring the 1% non-controlling interest of Easy Smart Engineering held by Ms. Lim Ming Ngar (“**Ms. Lim**”), the mother of Mr. Dave Ng; and (iii) the reclassification of share capital of Easy Smart Engineering and E-Build Technology to other reserve upon the acquisition of operating subsidiaries as further detailed in note 2(d).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
OPERATING ACTIVITIES					
Profit before taxation	32,985	48,414	37,281	10,850	28,220
Adjustments for:					
Interest income	(2)	(21)	(122)	(42)	-
Depreciation of property, plant and equipment	338	384	589	191	193
Depreciation of right-of-use assets	744	971	1,142	356	429
Impairment losses, net of reversal	(74)	169	718	2	140
Finance costs	18	105	346	123	24
Gain on disposal of property, plant and equipment	-	(9)	-	-	-
Provision (over-provision) for tax penalty	37	561	(93)	-	(85)
Operating cash flow before movement in working capital	34,046	50,574	39,861	11,480	28,921
Movements in working capital:					
(Increase) decrease in trade and other receivables, deposits and prepayments	(3,645)	(5,955)	2,153	(23,159)	(5,988)
Decrease (increase) in contract assets	5,171	(11,165)	(16,714)	(5,926)	5,066
(Decrease) increase in trade and other payables	(16,648)	(11,008)	(4,371)	13,765	14,987
(Decrease) increase in contract liabilities	(9,496)	(3,299)	(457)	325	84
Net cash generated from (used in) operations	9,428	19,147	20,472	(3,515)	43,070
Hong Kong Profits Tax paid	(2,076)	(4,497)	(6,832)	(3,823)	(9,491)
Tax penalty paid	-	-	(420)	-	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES	7,352	14,650	13,220	(7,338)	33,579
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(180)	(920)	(578)	(578)	(20)
Proceeds from disposal of property, plant and equipment	-	9	-	-	-
Interest received	2	21	122	42	-
Purchase of a life insurance policy	-	-	(3,179)	-	-
(Advance to) repayment from related companies	(600)	750	600	600	-
Repayment from a director	-	-	158	-	-
Advance to a director	-	-	(154)	(24)	-
Advance to the non-controlling shareholder of a subsidiary	-	-	(4)	-	-

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(778)	(140)	(3,035)	40	(20)
FINANCING ACTIVITIES					
Interest paid	(18)	(105)	(346)	(123)	(24)
Dividend paid	(24,354)	(6,000)	-	-	-
New bank borrowings raised	-	10,000	-	-	-
Repayment of bank borrowings	-	(312)	(9,688)	(470)	-
Repayment to a director	(3,216)	(1,236)	-	-	-
Repayment of lease liabilities	(746)	(962)	(1,148)	(348)	(420)
Repayment to the non-controlling shareholder of a subsidiary	(12,873)	(3,008)	(147)	(4)	-
Advance from the non-controlling shareholder of a subsidiary	-	3,060	-	-	-
Transfer of 30% of interest of Easy Smart Maintenance (<i>Note 2(b)</i>)	-	-	(1,988)	(1,988)	-
Issue costs paid for initial listing of shares	-	-	(3,129)	(1,595)	(754)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(41,207)	1,437	(16,446)	(4,528)	(1,198)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(34,633)	15,947	(6,261)	(11,826)	32,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	60,029	25,396	41,343	41,343	35,082
	<u>25,396</u>	<u>41,343</u>	<u>35,082</u>	<u>29,517</u>	<u>67,443</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by					
Bank balances and cash	25,396	41,344	35,082	29,517	67,443
Bank overdrafts	-	(1)	-	-	-
	<u>25,396</u>	<u>41,343</u>	<u>35,082</u>	<u>29,517</u>	<u>67,443</u>

NOTES TO HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Act (as revised) of the Cayman Islands on 7 September 2021. 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 Prospectus.

The directors of the Company consider Lofty Profit Investments Limited ("**Lofty Profit**"), a company incorporated in the British Virgin Islands (the "**BVI**"), as the immediate holding company and ultimate holding company of the Group and Mr. Dave Ng as the ultimate controlling shareholder of the Company.

The Company is an investment holding company and the principal activities of the operating subsidiaries, as set out in the note 32, are provision of passive fire protection works and provision of passive fire protection information services in Hong Kong.

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

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

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs, and the principle of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

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

In preparing for the initial listing of the shares of the Company on the Stock Exchange, the companies comprising the Group underwent a group reorganisation (the "**Reorganisation**") as described below.

Prior to the Reorganisation, Easy Smart Engineering was 99% owned by Mr. Dave Ng and 1% owned by Ms. Lim; Easy Smart Maintenance was 30% owned by Mr. Dave Ng and 70% owned by Easy Smart Engineering; and E-Build Technology Limited ("**E-Build Technology**") was wholly owned by Mr. Dave Ng.

The Reorganisation comprised the following steps:

(a) Incorporation of Lofty Profit, the Company, Rise Nation, Total Wisdom and On Thrive Holdings

Lofty Profit was incorporated on 2 July 2021 in the BVI which was authorised to issue a maximum of 50,000 shares with a par value US\$1.00. On 25 August 2021, 1 fully paid ordinary share of Lofty Profit, representing all of its issued share, was issued and allotted at par to Mr. Dave Ng. After the allotment and issue, Lofty Profit was wholly-owned by Mr. Dave Ng.

The Company was incorporated on 7 September 2021 with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. One nil-paid share was allotted and issued to the initial subscriber to the memorandum and articles of association of the Company, which was then transferred to Lofty Profit at a consideration of HK\$0.01 on the same date. Upon completion of this step, the Company was wholly-owned by Lofty Profit.

Rise Nation was incorporated in the BVI on 2 July 2021 which was authorised to issue a maximum of 50,000 shares with a par value US\$1.00. On 20 September 2021, 1 fully paid ordinary share of Rise Nation, representing all of its issued share, was issued and allotted at par to the Company. After the allotment and issue, Rise Nation was wholly-owned by the Company.

Total Wisdom was incorporated in the BVI on 12 July 2021 which was authorised to issue a maximum of 50,000 shares with a par value US\$1.00. On 10 September 2021, 1 fully paid ordinary share of Total Wisdom, representing all of its issued share, was issued and allotted at par to Lofty Profit. After the allotment and issue, Total Wisdom was wholly-owned by Lofty Profit.

On Thrive Holdings was incorporated in the BVI on 2 July 2021 which was authorised to issue a maximum of 50,000 shares with a par value US\$1.00. On 10 September 2021, 1 fully paid ordinary share of On Thrive Holdings, representing all of its issued share, was issued and allotted at par to Lofty Profit. After the allotment and issue, On Thrive Holdings was wholly-owned by Lofty Profit.

(b) Reorganisation of the operating subsidiaries

On 15 September 2021, 30 shares representing 30% of the entire issued share capital of Easy Smart Maintenance held by Mr. Dave Ng were transferred to Easy Smart Engineering at a cash consideration of approximately HK\$1,988,000 which was determined by the net asset value according to the unaudited management accounts of Easy Smart Maintenance as of 31 July 2021; and

On 15 September 2021, 100 shares representing 1% of the entire issued share capital of Easy Smart Engineering held by Ms. Lim were transferred to Mr. Dave Ng at a consideration of approximately HK\$660,000 which was determined by the net asset value according to the unaudited management accounts of Easy Smart Engineering as of 31 July 2021.

As a result of the above transfers, the entire issued share capital of Easy Smart Maintenance was held by Easy Smart Engineering and the entire issued share capital of Easy Smart Engineering was held by Mr. Dave Ng.

(c) Acquisition of operating subsidiaries

On 19 October 2021, Mr. Dave Ng (as vendor) and Lofty Profit (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Dave Ng (as transferor) transferred his 10,000 shares of and in Easy Smart Engineering (representing the entire issued share capital) to Total Wisdom (as transferee) as directed by Lofty Profit; and in consideration of which Lofty Profit allotted and issuing 79 shares of a par value US\$1.00 each in Lofty Profit, credited as fully paid to Mr. Dave Ng.

On 19 October 2021, Mr. Dave Ng (as vendor) and Lofty Profit (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Dave Ng (as transferor) transferred his 100 shares of and in E-Build Technology (representing the entire issued share capital) to On Thrive Holdings (as transferee) as directed by Lofty Profit and in consideration of which Lofty Profit allotted and issuing 20 shares of a par value US\$1.00 each in Lofty Profit, credited as fully paid to Mr. Dave Ng.

After the aforesaid share transfers, Easy Smart Engineering became a wholly-owned subsidiary of Total Wisdom; E-Build Technology became a wholly-owned subsidiary of On Thrive Holdings; each of Easy Smart Engineering, Easy Smart Maintenance and E-Build Technology became an indirect wholly-owned subsidiary of Lofty Profit; and the total number of issued shares of Lofty Profit was 100 which was wholly owned by Mr. Dave Ng.

(d) Acquisition of On Thrive Holdings and Total Wisdom by Rise Nation

The Company (as purchaser) entered into a sale and purchase agreement with Lofty Profit (as the vendor) and Mr. Dave Ng (as the vendor's warrantor) on 23 December 2021, pursuant to which the Company directed Rise Nation as transferee to acquire 1 share in On Thrive Holdings and 1 share in Total Wisdom from Lofty Profit and in consideration for the acquisitions, the 1 nil-paid subscriber Share and registered in the name of Lofty Profit was credited as fully paid together with a further 9,999 Shares was allotted and issued to Lofty Profit as all credited as fully paid.

After the aforesaid share transfer, each of On Thrive Holdings and Total Wisdom became a wholly-owned subsidiary of Rise Nation; each of Easy Smart Engineering, Easy Smart Maintenance and E-Build Technology became an indirect wholly-owned subsidiary of the Company; and Lofty Profit holds 10,000 fully paid shares in the Company, being all the issued shares of the Company.

Upon the completion of the above steps, the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation have always been under the control of Mr. Dave Ng and is regarded as a continuing entity by applying the principles of merger accounting. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 30 June 2020, 30 June 2021 and 30 June 2022 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation (except for the non-controlling interest) had been in existence throughout the years ended 30 June 2020, 30 June 2021 and 30 June 2022, or since their respective dates of incorporation where this is a shorter period.

The consolidated statements of financial position of the Group as at 30 June 2020 and 30 June 2021 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF HKFRSs

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 HKFRSs, which includes HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations (“HK(IFRIC)-Int”) issued by the HKICPA that are effective for the Group’s accounting period beginning on 1 July 2022, including HKFRS 16 Leases (“HKFRS 16”) throughout the Track Record Period.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the Group’s financial position and financial performance in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA and the principle of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combination” issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies as set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

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

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

Non-controlling interest in subsidiaries are presented in the consolidated statements of financial position within equity, separately from equity attributable to owners of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the owners of the Company.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Merger accounting for business combination involving business under common control

The Historical Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*Input method*

For provision of passive fire protection works, the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Output method

For passive fire protection information services, the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (service contracts in which the Group bills a fixed amount for each month of passive fire protection information services provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

Variable consideration

For contracts that contain variable consideration such as variation order in provision of passive fire protection works, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstances during the Track Record Period.

Leases*Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*As a lessee**Short-term leases*

The Group applies the short-term lease recognition exemption to leases of exhibition halls and warehouses 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 over the lease term.

Right-of-use assets

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

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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 consolidated statements of financial position.

Refundable rental deposits

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

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) less any lease incentives receivable.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentive receivables, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Retirement benefit costs

Payments made to Mandatory Provident Fund ("MPF") are recognised as expense when employees have rendered service entitling them to the contributions.

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 requires or permits the inclusion of the benefits in the cost of an asset.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

An item of property, 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 disposal or retirement of an item of property, 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.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

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

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) 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**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. 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.

A financial assets at FVTPL

Financial asset that does not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI is measured at FVTPL.

A financial asset at FVTPL is measured at fair value at the end of each reporting period, with any fair value gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset.

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and deposits, amounts due from related companies 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. Assessment 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.

The Group always assesses lifetime ECL for trade receivables and contract assets. Except for those credit-impaired debtors that are assessed individually, the lifetime ECL on remaining debtors are assessed on a collective basis through grouping of debtors based on group's internal credit ratings. The contract assets relate to unbilled work in progress and retention receivables withheld by customers have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables and the contract assets are estimated on the same basis.

For all other financial 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 the credit risk has increased significantly:

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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 debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

The Group 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 (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data 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 the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

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 correspondence 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.

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 a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables, amount due to a director, amount due to the non-controlling shareholder of a subsidiary, 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 Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions 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.

Revenue recognition from provision of construction services

The Group recognises revenue from provision of construction services using input method. The Group reviews and revises the estimates of contract revenue and budgeted contract costs prepared for each service contract as the contract progresses. Budgeted contract costs are prepared by the management of the Group on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Changes in significant estimate may have impact on the profit or loss recognised in each period.

Recognised amounts of construction services revenue and related contract assets reflect the management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction services contracts.

The contract revenue generated from construction services contracts amounting to HK\$149,985,000, HK\$186,175,000, HK\$240,145,000, HK\$81,039,000 (unaudited) and HK\$130,934,000 was recognised in the profit or loss during the years ended 30 June 2020, 2021, 2022 and the four months ended 31 October 2021 and 2022, respectively.

Impairment assessment on trade receivables and contract assets

Trade receivables and contract assets which are identified as credit-impaired are assessed for ECL individually. For the remaining trade receivables and contract assets, collective assessment is performed by grouping debtors with reference to the past due condition and scale (including whether they are listed or unlisted) of the debtors based on the group's internal credit ratings. Estimated loss rates are estimated based on historical observed default rates of the debtors with the study of other corporates' default and recovery data from international credit-rating agencies including Moody's and forward-looking information (for example, expected gross domestic product growth). The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables, contract assets and ECL assessment is disclosed in notes 16, 19 and 30B.

6. REVENUE AND SEGMENT INFORMATION

The Group has two principal activities: provision of passive fire protection works and provision of passive fire protection information services. Revenue represents the fair value of amounts received and receivable from (i) provision of construction services including passive fire protection works and (ii) passive fire protection information services.

(i) Disaggregation of revenue from contracts with customers

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Type of service					
Passive fire protection works	149,985	186,175	240,145	81,039	130,934
Passive fire protection information services	8	291	320	107	114
	<u>149,993</u>	<u>186,466</u>	<u>240,465</u>	<u>81,146</u>	<u>131,048</u>
Type of customer					
Private sector projects	49,544	62,649	128,879	36,530	97,399
Public sector projects	100,449	123,817	111,586	44,616	33,649
	<u>149,993</u>	<u>186,466</u>	<u>240,465</u>	<u>81,146</u>	<u>131,048</u>

(ii) Performance obligations for contracts with customers

Revenue from provision of passive fire protection works are recognised over time as the Group creates or enhances an asset that the customer controls as the Group performs. Revenue is recognised based on the stage of completion of the contract using input method. The stage of completion is determined as the proportion of the costs incurred for the works (i.e. direct labor costs, subcontracting costs and costs of materials incurred) performed to date relative to the estimated total costs to complete the services.

Revenue from passive fire protection information services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group bills a fixed amount for each month of service provided. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers are set out as below:

	Year ended 30 June			Four months ended
	2020	2021	2022	31 October
	HK\$'000	HK\$'000	HK\$'000	2022
Provision of passive fire protection works				HK\$'000
– Within one year	46,103	230,023	257,839	233,944
– More than one year but not more than two years	83,870	123,859	153,956	153,106
	<u>129,973</u>	<u>353,882</u>	<u>411,795</u>	<u>387,050</u>

As permitted under HKFRS 15, the transaction price allocated to unsatisfied contracts related to passive fire protection information services is not disclosed.

(iv) Segment information

Information is reported to the owner of the Company, who are also the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The CODM reviews the overall results and financial performance of the Group as a whole. No analysis of the Group's assets or liabilities and no other discrete financial information is regularly provided to the CODM. Accordingly, only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with HKFRS 8 *Operating Segments*.

(v) Geographical information

The Group principally operates in Hong Kong, which is also its place of domicile. The Group's revenue is generated in and non-current assets are all located in Hong Kong.

(vi) Information about major customers

The revenue from customers individually contributing over 10% of the total revenue of the Group during each of the year/period in the Track Record Period is as follows:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Customer I	15,769	N/A*	N/A*	N/A*	N/A*
Customer II	15,247	30,950	N/A*	N/A*	N/A*
Customer III	20,696	N/A*	N/A*	N/A*	N/A*
Customer IV	N/A*	50,823	53,239	15,424	24,765
Customer V	19,412	N/A*	N/A*	N/A*	N/A*
Customer VI	32,876	18,830	N/A*	N/A*	N/A*
Customer VII	N/A*	–	32,424	17,025	67,253
Customer VIII	N/A*	N/A*	25,194	N/A*	N/A*

* Revenue did not contribute over 10% of the total revenue of the Group for the respective reporting period.

7. OTHER INCOME

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Government subsidies (<i>note</i>)	477	2,666	388	20	701
Sundry income	–	1	1	1	1
Interest income	2	21	122	42	–
Gain on disposal of property, plant and equipment	–	9	–	–	–
	<u>479</u>	<u>2,697</u>	<u>511</u>	<u>63</u>	<u>702</u>

Note: Government grants mainly include subsidies from Construction Industry Council's Construction Business Support Scheme and the Hong Kong Government's Employment Support Scheme, all are compensations for incurred expenses and not asset related.

8. FINANCE COSTS

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interests on:					
– Bank borrowings	–	66	325	115	–
– Lease liabilities	18	39	21	8	24
	<u>18</u>	<u>105</u>	<u>346</u>	<u>123</u>	<u>24</u>

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Auditors' remuneration (<i>note i</i>)	–	–	–	–	–
Depreciation of property, plant and equipment	338	384	589	191	193
Depreciation of right-of-use assets	744	971	1,142	356	429
Total depreciation	1,082	1,355	1,731	547	622
Directors' remuneration (<i>note 11</i>)	1,041	1,008	1,026	351	292
Other staff costs					
– Salaries and other benefits	10,997	13,144	15,637	4,667	5,583
– Contributions to MPF	501	581	616	189	192
Total staff costs (<i>note ii</i>)	12,539	14,733	17,279	5,207	6,067
Provision (over-provision) for tax penalty (<i>note 25</i>)	37	561	(93)	–	(85)
Cost of materials recognised as costs of services	43,414	57,966	66,377	19,941	34,861
Subcontracting fees recognised as costs of services	55,497	59,661	95,509	33,612	52,330
Listing expenses	–	–	14,191	8,311	2,953

Notes:

- (i) No remuneration has been incurred since there is no appointment of the Company's statutory auditor.
- (ii) Other staff costs of HK\$8,902,000, HK\$10,927,000, HK\$12,836,000, HK\$3,764,000 (unaudited) and HK\$4,701,000 were included in the cost of services for the year ended 30 June 2020, 2021, 2022 and for the four months ended 31 October 2021 and 2022, respectively, the remaining staff costs were recognised in administrative expenses.

10. INCOME TAX EXPENSE

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Income tax expense comprises:					
Hong Kong Profits Tax					
– Current tax	5,575	7,524	8,232	2,949	4,764
– Over-provision in prior years/periods	–	–	–	–	62
Deferred tax (<i>note 26</i>)	(387)	(21)	213	252	(39)
	<u>5,188</u>	<u>7,503</u>	<u>8,445</u>	<u>3,201</u>	<u>4,787</u>

Under the two-tiered profits tax rates regime of Hong Kong Profit 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%. Accordingly, for the years ended 30 June 2020, 2021, 2022 and for the four months ended 31 October 2021 and 2022, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before taxation	<u>32,985</u>	<u>48,414</u>	<u>37,281</u>	<u>10,850</u>	<u>28,220</u>
Tax at applicable tax rate of 16.5%	5,443	7,988	6,151	1,790	4,656
Tax effect of income not taxable for tax purpose	(100)	(452)	(99)	(7)	(116)
Tax effect of expenses not deductible for tax purpose	30	132	2,558	1,583	474
Over-provision in respect of prior year/period	–	–	–	–	(62)
Tax concession	(20)	–	–	–	–
Tax effect on two-tiered tax rate	<u>(165)</u>	<u>(165)</u>	<u>(165)</u>	<u>(165)</u>	<u>(165)</u>
Taxation for the year/period	<u>5,188</u>	<u>7,503</u>	<u>8,445</u>	<u>3,201</u>	<u>4,787</u>

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and chief executive's emoluments

Mr. Dave Ng and Mr. Ng Wing Shing ("Mr. Vincent Ng") were appointed as executive directors of the Company on 19 October 2021.

No independent non-executive directors were appointed by the Company during the Track Record Period. Prof. Pong Kam Keung, Ms. Cheng Shing Yan and Mr. Lo Chi Wang were appointed as independent non-executive directors of the Company subsequently on 12 April 2023.

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

Year ended 30 June 2020

	Salaries, allowances and benefits in kind (note v)	Discretionary bonus	Contributions to MPF	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors				
Mr. Dave Ng	470	80	18	568
Mr. Vincent Ng	385	70	18	473
	<u>855</u>	<u>150</u>	<u>36</u>	<u>1,041</u>

Year ended 30 June 2021

	Salaries, allowances and benefits in kind (note v)	Discretionary bonus	Contributions to MPF	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors				
Mr. Dave Ng	498	80	18	596
Mr. Vincent Ng	394	-	18	412
	<u>892</u>	<u>80</u>	<u>36</u>	<u>1,008</u>

Year ended 30 June 2022

	Salaries, allowances and benefits in kind (note v)	Discretionary bonus	Contributions to MPF	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors				
Mr. Dave Ng	505	-	18	523
Mr. Vincent Ng	405	80	18	503
	<u>910</u>	<u>80</u>	<u>36</u>	<u>1,026</u>

Four months ended 31 October 2021 (unaudited)

	Salaries, allowances and benefits in kind (note v)	Discretionary bonus	Contributions to MPF	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors				
Mr. Dave Ng	207	–	6	213
Mr. Vincent Ng	132	–	6	138
	<u>339</u>	<u>–</u>	<u>12</u>	<u>351</u>

Four months ended 31 October 2022

	Salaries, allowances and benefits in kind (note v)	Discretionary bonus	Contributions to MPF	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors				
Mr. Dave Ng	140	–	6	146
Mr. Vincent Ng	140	–	6	146
	<u>280</u>	<u>–</u>	<u>12</u>	<u>292</u>

- (i) Mr. Dave Ng acts as chief executive of the Company with effect from 19 October 2021 and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (iii) No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.
- (iv) The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.
- (v) Allowances and benefits in kind include leave pay and medical care. The estimated money value of the benefit in kind are approximately HK\$86,000, HK\$104,000, HK\$100,000, HK\$76,000 (unaudited) and Nil for the year ended 30 June 2020, 2021, 2022 and for the four months ended 31 October 2021 and 2022, respectively.

During the Track Record Period, no remuneration was paid by the Group to any director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any remuneration during the Track Record Period.

Employees' remuneration

During the Track Record Period, included in the remunerations of the five highest paid individuals are one, one, one, nil (unaudited) and nil director whose remunerations are disclosed above.

The remunerations in respect of the remaining four, four, four, five (unaudited) and five highest paid individuals during the Track Record Period are as follows:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Salaries, allowances and discretionary bonuses	2,224	2,739	3,127	993	1,671
Contribution to MPF	71	69	72	26	30
	<u>2,295</u>	<u>2,808</u>	<u>3,199</u>	<u>1,019</u>	<u>1,701</u>

During the Track Record Period, the remunerations of the five highest paid individuals, including directors, are within the following bands:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	<i>Number of employee and directors</i>				
				(unaudited)	
Nil to HK\$1,000,000	5	5	4	5	5
HK\$1,000,001 to HK\$1,500,000	–	–	1	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

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

12. DIVIDENDS

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Dividend recognised as distributions during the year/period	64,054	6,000	-	-	-

During the years ended 30 June 2020 and 2021, dividends were declared by the companies now comprising the Group to the then equity holders of those companies. The rate of dividend and number of shares ranking for dividend are not present as such information is not considered meaningful having regard to the purpose of the report.

No dividend was paid or declared by the Company since its incorporation.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
				(unaudited)	
Profit attributable to owners of the Company (HK\$'000)	27,541	40,513	28,766	7,579	23,433
Weighted average number of ordinary shares in issue	306,000,000	306,000,000	306,000,000	306,000,000	306,000,000
Basic earnings per share (HK cents)	9.00	13.24	9.40	2.48	7.66

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation as disclosed in Note 2 and the capitalisation issue of 305,990,000 shares had been effective since 1 July 2019.

There were no potential ordinary shares during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

	<u>Fixtures and furniture</u>	<u>Motor vehicles</u>	<u>Computer and other equipment</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST				
At 1 July 2019	633	1,244	37	1,914
Additions	–	180	–	180
At 30 June 2020	633	1,424	37	2,094
Additions	920	–	–	920
Disposal/ written off	–	(64)	–	(64)
At 30 June 2021	1,553	1,360	37	2,950
Additions	23	–	555	578
At 30 June 2022	1,576	1,360	592	3,528
Additions	–	–	20	20
At 31 October 2022	1,576	1,360	612	3,548
ACCUMULATED DEPRECIATION				
At 1 July 2019	323	647	22	992
Charge for the year	111	220	7	338
At 30 June 2020	434	867	29	1,330
Charge for the year	144	236	4	384
Disposal/ written off	–	(64)	–	(64)
At 30 June 2021	578	1,039	33	1,650
Charge for the year	252	237	100	589
At 30 June 2022	830	1,276	133	2,239
Charge for the period	85	63	45	193
At 31 October 2022	915	1,339	178	2,432
CARRYING VALUES				
At 30 June 2020	<u>199</u>	<u>557</u>	<u>8</u>	<u>764</u>
At 30 June 2021	<u>975</u>	<u>321</u>	<u>4</u>	<u>1,300</u>
At 30 June 2022	<u>746</u>	<u>84</u>	<u>459</u>	<u>1,289</u>
At 31 October 2022	<u>661</u>	<u>21</u>	<u>434</u>	<u>1,116</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the useful lives at the following rates per annum:

Fixtures and furniture	20%
Motor vehicles	30%
Computer and other equipment	20%

15. RIGHT-OF-USE ASSETS

	Workshop and warehouse premises and general office
	<i>HK\$'000</i>
COST	
At 1 July 2019	2,112
Additions	<u>1,504</u>
At 30 June 2020	3,616
Additions	<u>614</u>
At 30 June 2021	4,230
Additions	<u>2,665</u>
At 30 June 2022 and 31 October 2022	<u>6,895</u>
DEPRECIATION	
At 1 July 2019	1,627
Provided for the year	<u>744</u>
At 30 June 2020	2,371
Provided for the year	<u>971</u>
At 30 June 2021	3,342
Provided for the year	<u>1,142</u>
At 30 June 2022	4,484
Provided for the period	<u>429</u>
At 31 October 2022	<u>4,913</u>
CARRYING VALUES	
At 30 June 2020	<u>1,245</u>
At 30 June 2021	<u>888</u>
At 30 June 2022	<u>2,411</u>
At 31 October 2022	<u>1,982</u>

The Group leases workshop and warehouse premises and general office during the Track Record Period. Lease contracts are entered into for fixed term of 1 to 3 years, without any extension nor termination options. Lease terms are negotiated on an individual basis and contain a wide range of 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.

During the years ended 30 June 2020, 2021 and 2022, the Group entered into new lease agreements for the use of workshop and warehouse premises and general office from 1 to 2 years.

During the years ended 30 June 2020, 2021, 2022 and the four months ended 31 October 2021 and 2022, total cash outflows for the leases of the Group were HK\$764,000, HK\$1,001,000, HK\$1,169,000, HK\$356,000 (unaudited) and HK\$444,000, respectively.

16. TRADE RECEIVABLES

	As at 30 June			As at
				31 October
	2020	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	11,556	17,428	12,768	17,679
Less: Allowance for credit losses	(23)	(100)	(699)	(862)
	<u>11,533</u>	<u>17,328</u>	<u>12,069</u>	<u>16,817</u>

The Group grants credit terms to customers for a period ranging from 14 - 60 days from the invoice date for trade receivables. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of each reporting period:

	As at 30 June			As at
				31 October
	2020	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	9,293	12,869	10,622	9,485
31 days to 60 days	1,393	1,877	444	1,090
61 days to 90 days	759	1,041	-	3,592
Over 90 days	88	1,541	1,003	2,650
	<u>11,533</u>	<u>17,328</u>	<u>12,069</u>	<u>16,817</u>

As at 1 July 2019, trade receivables from contracts with customers amounted to HK\$8,049,000.

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Limits attributed to customers are reviewed when necessary. The Group's trade receivables balances that are past due over 90 days are not considered as in default based on good repayment records for those customers and long-term/continuous business with the Group. As at 30 June 2020, 2021, 2022 and 31 October 2022, the Group does not charge interest nor hold any collateral over the balances.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group			The Company		
	As at 30 June		As at 31 October	As at 30 June	As at 31 October	
	2020	2021	2022	2022	2022	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Other receivables and deposits	195	156	215	357	–	–
Prepayments	333	460	1,558	1,880	–	–
Deferred issue cost	–	–	4,211	5,023	4,211	5,023
Prepaid listing expenses and issue cost	–	–	268	823	268	823
Tax reserve certificate	5	–	–	–	–	–
	533	616	6,252	8,083	4,479	5,846
Less: Rental deposits under non-current assets	(195)	(156)	(215)	(174)	–	–
Amount show under current assets	338	460	6,037	7,909	4,479	5,846

Details of impairment assessment of trade and other receivables and deposits as at 30 June 2020, 2021, 2022 and 31 October 2022 are set out in note 30B.

18. A FINANCIAL ASSET AT FVTPL

	As at 30 June			As at 31 October
	2020	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Life insurance policy	–	–	3,179	3,179

The amount represents the insurance premium paid for a life insurance policy (the “**Insurance Policy**”) to insure a director of the Company. Under the Insurance Policy, the beneficiary and policy holder is the Group. The Group can terminate the Insurance Policy at any time and receive cash at the date of termination based on the account value of the Insurance Policy (the “**Cash Surrender Value**”), which is determined based on the premium paid with the accrued returns after netting of the charges (including a surrender charge) in accordance with the terms and conditions of the Insurance Policy.

The total insured sum is approximately US\$1.2 million (equivalent to approximately HK\$9.0 million). At the inception of the Insurance Policy, the Group was required to pay an upfront payment of approximately US\$408,000 (equivalent to approximately HK\$3.2 million).

Payment for the Insurance Policy is classified as a financial asset at FVTPL as contractual rights to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Insurance Policy is measured under Level 3 fair value hierarchy. The fair value is measured with reference to the quotation of the Insurance Policy from the insurance company.

The directors of the Company have no intention to terminate the Insurance Policy within 12 months after the end of each of the reporting periods and, therefore, the amount was classified as a non-current asset.

19. CONTRACT ASSETS/LIABILITIES

The following is the analysis of the contract assets and contract liabilities:

	As at 1 July	As at 30 June		As at 31 October
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	42,432	37,261	48,426	65,140
Less: Impairment loss allowance	(205)	(126)	(218)	(337)
	<u>42,227</u>	<u>37,135</u>	<u>48,208</u>	<u>64,803</u>
Contract liabilities				
– current construction and information services contracts	<u>13,610</u>	<u>4,114</u>	<u>815</u>	<u>358</u>
				<u>442</u>

Contract assets and contract liabilities arising from the same contract are presented on a net basis.

Contract assets

Amounts represent the Group's rights to considerations from customers for the provision of fire protection works services, which arise when: (i) the Group completed the relevant services under such contracts which is not billed because the rights are conditional on the Group's future performance; or (ii) the customers withhold certain amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defect liability period) after issuance of the practical completion certificate of the project. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional.

The Group's contract assets are analysed as follows:

	As at 30 June			As at
				31 October
	2020	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Construction contracts — current				
– Unbilled revenue*	24,444	33,830	44,111	38,278
– Retention receivables	12,691	14,378	20,692	21,482
	<u>37,135</u>	<u>48,208</u>	<u>64,803</u>	<u>59,760</u>

* It represented the revenue not yet been billed to the customers which the Group have completed the relevant services under such contracts but yet certified by representatives appointed by the customers.

Changes of contract assets during the Track Record Period were mainly due to increase in: (i) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period during the Track Record Period; and (ii) the size and number of contract works that the relevant services were completed but not yet certified by representatives appointed by the customers at the end of each reporting period.

The Group's retention receivables included in the Group's contract assets will be settled at the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts. The balances are classified as current as they are expected to be realised in the Group's normal operating cycle.

Contract liabilities

The contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration from the customers.

The decrease in contract liabilities during the years ended 30 June 2020, 2021 and 2022 is mainly due to the reduction in receipt in advance as a result of the completion of several passive fire protection projects with the main contractors who are the major customers of the Group. The increase in contract liabilities during the four months ended 31 October 2022 is mainly due to the increase in receipt in advance as a result of the increase in prepaid subscription fee for passive fire protection information services and increase in upfront fee received for the passive fire protection works.

The following table shows how much of the revenue recognised in each year/period during the Track Record Period that relates to contract liabilities carried-forward from preceding years.

	Year ended 30 June			Period
				ended
	2020	2021	2022	31 October
	HK\$'000	HK\$'000	HK\$'000	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	<u>16,167</u>	<u>6,311</u>	<u>815</u>	<u>358</u>

20. AMOUNT(S) DUE FROM/TO RELATED COMPANIES/A DIRECTOR/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/A SUBSIDIARY

	Maximum amounts outstanding during									
	As at 1 July	As at 30 June				As at 31 October	the year ended 30 June			the period ended 31 October
	2019	2020	2021	2022	2022	2020	2021	2022	2022	
The Group	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Amounts due from related companies										
- Tanda International Company Limited ("Tanda International") (note a)	-	600	600	-	-	600	600	600	-	
- Warwick Building Material Limited ("Warwick Building Material") (note b)	750	750	-	-	-	750	750	-	-	
	<u>750</u>	<u>1,350</u>	<u>600</u>	<u>-</u>	<u>-</u>					
Analysed as:										
Non-current (note c)	750	600	-	-	-					
Current	-	750	600	-	-					
	<u>750</u>	<u>1,350</u>	<u>600</u>	<u>-</u>	<u>-</u>					
Amount due from (to) a director										
- Mr. Dave Ng (note d)	34,607	(1,236)	-	-	-	34,607	941	578	-	
	<u>34,607</u>	<u>(1,236)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,607</u>	<u>941</u>	<u>578</u>	<u>-</u>	
Amount due to a non-controlling shareholder of a subsidiary										
- Ms. Lim (note d)	12,327	95	147	-	-	546	-	4	-	
	<u>12,327</u>	<u>95</u>	<u>147</u>	<u>-</u>	<u>-</u>	<u>546</u>	<u>-</u>	<u>4</u>	<u>-</u>	

Notes:

- Tanda International is controlled by a close family member of a director of the Company. The amount is non-trade in nature, unsecured, interest-free, and has no fixed repayment term as at 30 June 2020 and 2021, respectively. The amount was fully repaid during the year ended 30 June 2022.
- Warwick Building Material is jointly controlled by a close family member of a director of the Company. The amount is non-trade in nature, unsecured, interest-free and has no fixed repayment term as at 30 June 2020. The amount was fully repaid during the year ended 30 June 2021.
- The amounts classified under non-current assets are not expected to be repaid within one year from the end of each reporting period end.
- The amounts are non-trade in nature. The amounts are unsecured, non-interest bearing and has no fixed repayment term. The dividends of HK\$39,059,000 and HK\$641,000 were paid by setting off against the amount due from Mr. Dave Ng and included in amount due to Ms. Lim during the year ended 30 June 2020. An amount due from Ms. Lim of HK\$4,000 was transferred to the amount due from Mr. Dave Ng during the year ended 30 June 2022.

The Company

The amount due to a subsidiary represents the amount due to Easy Smart Engineering, which is non-trade in nature, unsecured, interest free and has no fixed repayment term.

21. BANK BALANCES AND CASH

The bank balances of the Group are interest-free or at nominal rate as at 30 June 2020, 2021 and 2022 and 31 October 2022.

The bank balances of the Company are interest-free or at nominal rate as at 30 June 2022 and 31 October 2022.

22. TRADE AND OTHER PAYABLES

	The Group			The Company		
	As at 30 June			As at	As at	As at
	2020	2021	2022	31 October	30 June	31 October
	HK\$'000	HK\$'000	HK\$'000	2022	2022	2022
				HK\$'000	HK\$'000	HK\$'000
Trade payables	9,769	12,543	6,480	20,300	-	-
Payroll and MPF payables	988	1,318	1,418	1,390	-	-
Accrual of contract costs	17,146	3,000	210	987	-	-
Accrued expenses	77	111	93	347	-	-
Accrued issue costs and listing expenses	-	-	4,329	4,565	4,329	4,565
Others	96	96	167	95	-	-
Total	28,076	17,068	12,697	27,684	4,329	4,565

The credit period on purchases from suppliers is generally ranging from 30-60 days or payable upon delivery.

The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 June			As at
	2020	2021	2022	31 October
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Within 30 days	4,611	11,049	6,247	19,353
31 days to 60 days	2,308	1,494	223	836
61 days to 90 days	2,850	-	10	111
	9,769	12,543	6,480	20,300

Included in trade payables at 30 June 2020, 2021, 2022 and 31 October 2022 are HK\$4,000, nil, HK\$168,000 and HK\$18,000 due to Tanda International; nil, nil, HK\$16,000 and nil due to Greatec Engineering Limited ("**Greatec Engineering**"), a company controlled by a close family member of a director of the Company; HK\$103,000, HK\$81,000, nil and HK\$429,000 due to Warwick Building Material; and nil, nil, HK\$81,000 and nil due to Goldin Innovation Development Company Limited ("**Goldin Innovation**"), respectively.

23. LEASE LIABILITIES

	As at 30 June			As at
	2020	2021	2022	31 October
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Lease liabilities payable				
Within one year	706	899	1,273	1,253
Within a period of more than one year, but not exceeding two years	541	–	1,143	743
	1,247	899	2,416	1,996
Less: Amount due for settlement within twelve months shown under current liabilities	(706)	(899)	(1,273)	(1,253)
Amount due for settlement after twelve months shown under non-current liabilities	541	–	1,143	743

The weighted average incremental borrowing rates applied to lease liabilities was 3.68%, 3.20%, 3.24% and 3.24% for the years ended 30 June 2020, 2021 and 2022 and for the four months ended 31 October 2022, respectively.

24. BANK BORROWINGS

	As at 30 June			As at
	2020	2021	2022	31 October
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Bank overdrafts	–	1	–	–
Bank borrowings	–	9,688	–	–
	–	9,689	–	–
The carrying amounts of the above borrowings are repayable*:				
Within one year	–	1,904	–	–
Within a period of more than one year but not exceeding two years	–	1,954	–	–
Within a period of more than two years but not exceeding five years	–	5,831	–	–
	–	9,689	–	–
Less: Amounts due within one year shown under current liabilities	–	(1,904)	–	–
Amounts shown under non-current liabilities	–	7,785	–	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Bank overdrafts carry variable interests based on the bank's Hong Kong dollars best lending rate minus 0.50% per annum or overnight Hong Kong Interbank Offered Rate ("HIBOR") whichever is higher and were repayable on demand as at 30 June 2021.

Bank borrowings carry variable interest at one month HIBOR plus 2.60% per annum as at 30 June 2021. The weighted average effective interest rate on bank borrowings was 2.68% per annum as at 30 June 2021.

The Group's bank borrowings are under the SME Financing Guarantee Scheme operated by HKMC Insurance Limited ("HKMCI") and secured by HKMCI and personal guaranteed by Mr. Dave Ng. The personal guarantees given by Mr. Dave Ng has been released on 5 August 2022.

25. PROVISION

	Provision for tax penalty
	<i>HK\$'000</i>
At 1 July 2019	–
Provision for the year	<u>37</u>
At 30 June 2020	37
Provision for the year	<u>561</u>
At 30 June 2021	598
Settlement	(420)
Reversal of over-provision of tax penalty	<u>(93)</u>
At 30 June 2022	85
Reversal of over-provision of tax penalty	<u>(85)</u>
At 31 October 2022	<u><u>–</u></u>

The provision for tax penalty represents the management best estimate of the Group's liability for failure to inform the tax chargeability and late submission of the profits tax returns to the Inland Revenue Department (the "IRD"). The provision of HK\$37,000 and HK\$561,000 were recognised in "other expenses" in the consolidated statements of profit or loss and other comprehensive income for the year ended 30 June 2020 and 2021 respectively. During the year ended 30 June 2022, the IRD issued an additional tax assessment for an amount of HK\$420,000 in respect of the above offence for a subsidiary of the Group. The Group fully settled the amount of HK\$420,000 in relation to the above additional tax assessment and reversed the over-provision of tax penalty for the above offence. During the period ended 31 October 2022, the management of the Group made an enquiry with the tax officer of IRD and understands that there was no other tax penalty owed by the Group and reversed the over-provision of tax penalty.

26. DEFERRED TAXATION

The following are the deferred tax liabilities (assets) recognised and the movements thereon:

	Accelerated tax depreciation and other temporary differences	ECL provision	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2019	174	(37)	137
(Credited)/charged to profit or loss for the year	<u>(399)</u>	<u>12</u>	<u>(387)</u>
At 30 June 2020	(225)	(25)	(250)
Charged/(credited) to profit or loss for the year	<u>7</u>	<u>(28)</u>	<u>(21)</u>
At 30 June 2021	(218)	(53)	(271)
Charged/(credited) to profit or loss for the year	<u>227</u>	<u>(14)</u>	<u>213</u>
At 30 June 2022	9	(67)	(58)
Credited to profit or loss for the period	<u>(3)</u>	<u>(36)</u>	<u>(39)</u>
At 31 October 2022	<u>6</u>	<u>(103)</u>	<u>(97)</u>

27. SHARE CAPITAL

The Group

The share capital as at 1 July 2019, 30 June 2020 and 2021 represented the combined share capital of Easy Smart Engineering and E-Build Technology.

Easy Smart Engineering was incorporated on 6 June 2001 with a paid up capital of HK\$10,000 divided into 10,000 shares.

E-Build Technology was incorporated on 19 June 2020 with a paid up capital of HK\$100 divided into 100 shares.

The share capital as at 30 June 2022 and 31 October 2022 represented the share capital of the Company.

The Company

	Number of ordinary shares of HK\$0.01 each	Amount
		<i>HK\$</i>
Authorised		
At 7 September 2021 (date of incorporation), 30 June 2022 and 31 October 2022 (<i>note 2(a)</i>)	<u>38,000,000</u>	<u>380,000</u>

	Number of ordinary shares of HK\$0.01 each	Amount HK\$
Issued and fully paid		
At 7 September 2021 (date of incorporation) <i>(note 2(a))</i>	1	–
Issue of shares upon the Reorganisation on 23 December 2021 <i>(note 2(d))</i>	9,999	100
	<u>10,000</u>	<u>100</u>
At 30 June 2022 and 31 October 2022	<u>10,000</u>	<u>100</u>
28. RESERVE OF THE COMPANY		Accumulated losses
		HK\$'000
As at 7 September 2021 (date of incorporation)		–
Loss and total comprehensive expense for the period		<u>(14,205)</u>
As at 30 June 2022		(14,205)
Loss and total comprehensive expense for the period		<u>(2,956)</u>
As at 31 October 2022		<u>(17,161)</u>
29. RETIREMENT BENEFIT PLAN		

The Group participates in a MPF scheme established under the Mandatory Provident Fund Ordinance for its qualified employees in Hong Kong. For the Track Record Period, the Group contributes 5% of the eligible employees' salaries, with each employee's qualifying salary capped at HK\$1,500 per month to the MPF scheme.

The total costs charged to profit or loss, amounting to HK\$537,000, HK\$617,000, HK\$652,000, HK\$201,000 (unaudited) and HK\$204,000 for the years ended 30 June 2020, 2021 and 2022 and for the four months ended 31 October 2021 and 2022, respectively, representing contributions paid to the retirement benefits scheme by the Group.

Contributions of approximately HK\$33,000, HK\$39,000, HK\$52,000 and HK\$48,000 at 30 June 2020, 2021 and 2022 and 31 October 2022, were accrued respectively. The amounts were paid subsequent to the end of respective year.

30A. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes bank borrowings and lease liabilities, as disclosed in notes 24 and 23, respectively, net of bank balances and cash and equity attributable to owner of the Company, comprising share capital and reserves. The Group is not subject to any externally imposed capital requirement.

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

30B. FINANCIAL INSTRUMENTS**Categories of financial instruments**

	The Group			The Company	
	At 30 June			At	As at
	2020	2021	2022	31 October	31 October
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets					
A financial asset at FVTPL	–	–	3,179	3,179	–
Financial assets at amortised cost	38,474	59,428	47,366	84,617	97
Financial liabilities at amortised cost	11,196	22,475	6,647	20,395	18,539

Financial risk management objectives and policy

The Group's financial instruments include a financial asset at FVTPL, trade receivables, other receivables and deposits, amounts due from related companies, bank balances and cash, trade and other payables, amount due to a director, amount due to a non-controlling shareholder of a subsidiary, bank borrowings and lease liabilities. The Company's financial instrument represents bank balances and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. 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 on a timely and effective manner.

*Market risk**Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there is minimal exposure of the cash flow interest rate risk on the variable rate of interest incurred on the bank borrowings, bank overdrafts and bank balances. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and bank overdraft and HIBOR arising from the Group's bank borrowings. It is the Group's policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to balance the fair value and cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis on the interest risk arising from the variable-rate bank borrowings is presented as the amounts involved are insignificant. The management considered the fluctuation on the prevailing market interest rate is minimal.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and deposits, contract assets, amounts due from related companies and bank balances.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before acceptance any new customers, the Group carries out research on the credit risk of the new customer and assesses the potential customers' credit quality and defines credit limits by customer. Limits attributed to customers are reviewed at the end of each reporting period or when necessary. In this regards, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's concentration of credit risk by geographical location is in Hong Kong, which accounts for 100% of the total financial assets and contract assets as at 30 June 2020, 2021, 2022 and 31 October 2022.

The Group's internal credit risk grading assessment comprises the following categories:

<u>Internal credit rating</u>	<u>Description</u>	<u>Trade receivables and contract assets</u>	<u>Other financial assets</u>
A	The counterparties have a low risk of default based on good historical repayment records and are mainly multinational companies or listed companies	Lifetime ECL – not credit-impaired	12m ECL
B	The counterparties have a medium risk of default based on good historical repayment records and are mainly unlisted entities	Lifetime ECL – not credit-impaired	12m ECL
C	There have been significant increases in credit risk since initial recognition and the counterparties are mainly multinational companies or listed companies	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
D	There have been significant increases in credit risk since initial recognition and the counterparties are mainly unlisted entities	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
E	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
F	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

Trade receivables and contract assets

The Group applies simplified approach and always recognises lifetime ECL for trade receivables and contract assets.

The lifetime ECL on trade receivables and contract assets, except for credit-impaired debtors which are assessed individually, are assessed on a collective basis through grouping of debtors with reference to the past due condition and scale (including whether they are listed or unlisted) of the debtors based on group's internal credit ratings. Estimated loss rates are estimated based on historical observed default rates of the debtors with the study of other corporates' default and recovery data from international credit-rating agencies including Moody's and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 30 June 2020, 2021, 2022 and 31 October 2022, all the trade receivables and contract assets subject to ECL assessment are classified as "A", "B", "C", "D" and "E" by the management pursuant to their assessment. The gross carrying amounts of these trade receivables and contract assets are disclosed in notes 16 and 19.

The Group has concentration of credit risk in trade receivables and contract assets, as approximately 64.2%, 52.4%, 25.2% and 46.5% of total trade receivables, and 42.7%, 62.5%, 71.3% and 27% of contract assets outstanding as at 30 June 2020, 2021, 2022 and 31 October 2022, respectively, were due from top five customers.

Other receivables and deposits

The management of the Group conducts periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. As at 30 June 2020, 2021, 2022 and 31 October 2022, the Group assessed that the ECL for other receivables and deposits was insignificant.

Amounts due from related companies

The Group had concentration of credit risk on amounts due from related companies as at 30 June 2020 and 2021. In order to minimise the credit risk, the management of the Group had reviewed the recoverable amount of the amounts due from related companies regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considered that the Group's credit risks was significantly reduced. In the opinion of the management of the Group, the risk of default by the counterparties is low and the ECL on the balances is insignificant.

Bank balances

The credit risk for bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no history of default in relation to these banks. The Group performs impairment assessment on the short-term bank deposits and bank balances under 12m ECL model. The management of the Group considers the risk of default is low based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. As at 30 June 2020, 2021, 2022 and 31 October 2022, the Group assessed that the ECL for bank balances were insignificant.

The credit risk on the Company's bank balances is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts			
					As at 30 June			As at 31 October
					2020	2021	2022	2022
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets								
Amortised cost								
Trade receivables	16	N/A	A	Lifetime ECL- not credit-impaired	7,296	7,344	1,864	3,211
			B	Lifetime ECL- not credit-impaired	3,571	6,253	7,580	6,304
			C	Lifetime ECL- not credit-impaired	596	2,189	1,850	3,323
			D	Lifetime ECL- not credit-impaired	93	1,642	844	4,211
			E	Lifetime ECL- credit-impaired	-	-	630	630
Other receivables and deposits	17	N/A	B	12m ECL	195	156	215	357
Amounts due from related companies	20	N/A	B	12m ECL	1,350	600	-	-
Bank balances	21	Aa1	N/A	12m ECL	25,396	41,344	34,962	67,443
Other items								
Contract assets*	19	N/A	A	Lifetime ECL- not credit-impaired	28,173	12,220	9,214	16,038
			B	Lifetime ECL- not credit-impaired	7,490	25,842	38,615	27,679
			C	Lifetime ECL- not credit-impaired	1,200	8,299	16,092	15,584
			D	Lifetime ECL- not credit-impaired	330	2,065	1,219	773
			E	Lifetime ECL- credit-impaired	68	-	-	-

* As contract assets are required to be presented on a net basis with contract liability for the same contract, retention receivables of HK\$2,263,000, HK\$24,000, HK\$51,000 and HK\$125,000 which are subject to net presentation requirement were not included in the above table as at 30 June 2020, 2021, 2022 and 31 October 2022, respectively. In accordance with the terms of the relevant contracts, retention receivables of HK\$2,263,000, HK\$24,000, HK\$51,000 and HK\$1,358,000 will be collected from customers in the future as detailed in note 19. The management considers credit risk for such amounts and the impact of ECL is not material.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on a collective assessment within lifetime ECL (not credit-impaired).

Gross carrying amount

Internal credit rating	As at 30 June									As at 31 October		
	2020			2021			2022			2022		
	Average loss rate	Trade receivables	Contract assets	Average loss rate	Trade receivables	Contract assets	Average loss rate	Trade receivables	Contract assets	Average loss rate	Trade receivables	Contract assets
	HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000	
A	0.03%	7,296	28,173	0.02%	7,344	12,220	0.02%	1,864	9,214	0.02%	3,211	16,038
B	0.10%	3,571	7,490	0.06%	6,253	25,842	0.07%	7,580	38,615	0.07%	6,304	27,679
C	2.00%	596	1,200	1.46%	2,189	8,299	1.61%	1,850	16,092	1.65%	3,323	15,584
D	5.11%	93	330	3.79%	1,642	2,065	4.00%	844	1,219	4.11%	4,211	773
E	100%	-	68	-	-	-	100%	630	-	100%	630	-

The estimated loss rates are estimated based on historical observed default rates of the debtors with the study of other corporates' default and recovery data from international credit-rating agencies including Moody's and forward-looking information that is available without undue cost or effort. The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and long-term/continuous business with the Group. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The following table shows the movements in lifetime ECL (not credit-impaired) recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired)		Total
	Trade receivables	Contract assets	Trade receivables	Contract assets	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 July 2019	18	137	-	68	223
Changes due to financial instruments recognised as at 1 July 2019:					
- Impairment losses recognised	-	23	-	-	23
- Impairment losses reversed	(18)	(120)	-	-	(138)
New financial assets originated	23	18	-	-	41
As at 30 June 2020	23	58	-	68	149
Changes due to financial instruments recognised as at 1 July 2020:					
- Impairment losses recognised	-	69	-	-	69
- Impairment losses reversed	(23)	(48)	-	(68)	(139)
New financial assets originated	100	139	-	-	239

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired)		Total
	Trade receivables	Contract assets	Trade receivables	Contract assets	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 30 June 2021	100	218	-	-	318
Changes due to financial instruments recognised as at 1 July 2021:					
- Transfer to credit-impaired	(40)	-	40	-	-
- Impairment losses recognised	-	146	590	-	736
- Impairment losses reversed	(60)	(171)	-	-	(231)
New financial assets originated	69	144	-	-	213
As at 30 June 2022	69	337	630	-	1,036
Changes due to financial instruments recognised as at 1 July 2022:					
- Impairment losses recognised	158	124	-	-	282
- Impairment losses reversed	(66)	(156)	-	-	(222)
New financial assets originated	71	9	-	-	80
As at 31 October 2022	232	314	630	-	1,176

As at 1 July 2021, trade receivable due from a customer amounted to HK\$1,050,000 and upon the management's certain actions to recover, only cash of HK\$420,000 was collected from this customer by a director of the Company during the year ended 30 June 2022. Given the customer has defaulted in payment and was under multiple litigations raised by other parties, the directors of the Company considered that there is low prospect of recovery and as a result, provision of HK\$630,000 was made as at 30 June 2022. No further settlement noted up to date of report.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. 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 following table details the remaining contractual maturity of the Group for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

As at 30 June 2020

	Weighted average interest rate	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	-	9,865	-	-	-	9,865	9,865
Amount due to a director	-	1,236	-	-	-	1,236	1,236
Amount due to a non-controlling shareholder of a subsidiary	-	95	-	-	-	95	95
Lease liabilities	3.68	196	197	344	550	1,287	1,247
		<u>11,392</u>	<u>197</u>	<u>344</u>	<u>550</u>	<u>12,483</u>	<u>12,443</u>

As at 30 June 2021

	Weighted average interest rate	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	-	12,639	-	-	-	12,639	12,639
Amount due to the non-controlling shareholder of a subsidiary	-	147	-	-	-	147	147
Bank borrowings	2.68	535	535	1,070	8,202	10,342	9,689
Lease liabilities	3.20	249	249	415	-	913	899
		<u>13,570</u>	<u>784</u>	<u>1,485</u>	<u>8,202</u>	<u>24,041</u>	<u>23,374</u>

As at 30 June 2022

	The Group						The Company	
	Weighted average interest rate	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total undiscounted cash flow	Carrying amount	Total undiscounted cash flow and carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	-	6,647	-	-	-	6,647	6,647	-
Lease liabilities	3.24	333	333	667	1,162	2,495	2,416	-
Amount due to a subsidiary	-	-	-	-	-	-	-	14,455
		<u>6,980</u>	<u>333</u>	<u>667</u>	<u>1,162</u>	<u>9,142</u>	<u>9,063</u>	<u>14,455</u>

As at 31 October 2022

	The Group						The Company	
	Weighted average interest rate	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total undiscounted cash flow	Total undiscounted cash flow and carrying amount	
							Carrying amount	
%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade and other payables	-	20,395	-	-	-	20,395	20,395	-
Lease liabilities	3.24	333	333	633	752	2,051	1,996	-
Amount due to a subsidiary	-	-	-	-	-	-	-	18,539
		<u>20,728</u>	<u>333</u>	<u>633</u>	<u>752</u>	<u>22,446</u>	<u>22,391</u>	<u>18,539</u>

Fair values measurements of financial instruments

- (i) The following table gives information about how the fair value of a financial asset at FVTPL is determined.

	Fair value as at				Fair value hierarchy	Valuation technique
	30 June 2020	30 June 2021	30 June 2022	31 October 2022		
	HKD'000	HKD'000	HKD'000	HKD'000		
The Group						
Financial asset						
A financial asset at FVTPL – Unlisted life insurance policy	-	-	3,179	3,179	Level 3	Quoted purchase price of the life insurance policy

(ii) Reconciliation of Level 3 fair value measurement

	A financial asset at FVTPL
	<u>HKD'000</u>
As at 1 July 2021	–
Purchased	<u>3,179</u>
As at 30 June 2022 and 31 October 2022	<u><u>3,179</u></u>

Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

The management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. RELATED PARTY TRANSACTIONS

Apart from disclosures in note 11, 20, 22 and 24 to the Historical Financial Information, the Group entered into the following transactions with related parties during the Track Record Period:

The remuneration of directors and other members of key management during the year/period was as follows:

	Year ended 30 June			Four months ended 31 October	
	2020	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Short term employee benefits	1,483	1,439	2,232	664	1,167
Post-employment benefits	<u>54</u>	<u>54</u>	<u>72</u>	<u>24</u>	<u>24</u>
	<u>1,537</u>	<u>1,493</u>	<u>2,304</u>	<u>688</u>	<u>1,191</u>

During the Track Record Period, the Group entered into the following transactions with its related parties:

Related parties	Nature of balances/ transactions	Year ended 30 June			Four months ended 31 October	
		2020	2021	2022	2021	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
Tanda International	Purchases of direct materials	1,541	3,474	1,472	202	196
Greatec Engineering	Purchases of direct materials	37	585	171	12	-
Warwick Building Material	Purchases of direct materials	7,065	1,235	856	225	1,930
Goldin Innovation (<i>note i</i>)	Purchases of direct materials	3,478	3,008	2,218	528	364
東莞市天達五金有限公司 (<i>note ii</i>)	Purchases of direct materials	-	827	-	-	-
Mr. Dave Ng	Addition to right-of-use assets and lease liabilities during the year	-	615	871	-	-
	Interest expenses on lease liabilities	-	7	5	3	9
	Balance of lease liabilities	-	358	835	229	700
	Transfer of 30% interest of Easy Smart Maintenance (<i>Note 2(b)</i>)	-	-	1,988	1,988	-
Mr. Johnny Ng (<i>note iii</i>)	Addition to right-of-use assets and lease liabilities during the year	552	-	581	-	-
	Rental deposit	66	66	72	66	72
	Interest expenses on lease liabilities	3	12	4	2	6
	Balance of lease liabilities	491	238	557	152	466
Ms. Lim	Addition to right-of-use assets and lease liabilities during the year	955	-	823	-	-
	Interest expenses on lease liabilities	5	15	5	3	9
	Balance of lease liabilities	624	303	789	194	661
	Rental deposit	84	84	102	84	102
Mr. Vincent Ng	Purchase of a motor vehicle	180	-	-	-	-

Notes:

- i. Mr. Dave Ng is a director and holds 20% interest of Goldin Innovation.
- ii. Mr. Dave Ng is a director and holds 20% interest of the parent company of 東莞市天達五金有限公司.
- iii. Mr. Ng Wing Chi Johnny ("Mr. Johnny Ng") is a close family member of Mr. Dave Ng and Mr. Vincent Ng.

32. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to the owner of the Group			Principal activities	Notes
			As at 30 June				
			2020	2021	2022		
Rise Nation	BVI 2 July 2021	Ordinary shares of US\$1	N/A	N/A	100%	Investment holding	(a)
Easy Smart Engineering	Hong Kong 6 June 2001	Ordinary shares of HK\$10,000	99%	99%	100%	Provision of passive fire protection works	(b)
Easy Smart Maintenance	Hong Kong 4 June 2009	Ordinary shares of HK\$100	99%	99%	100%	Provision of passive fire protection works	(b)
E-Build Technology	Hong Kong 19 June 2020	Ordinary shares of HK\$100	100%	100%	100%	Provision of passive fire protection information services	(c)
On Thrive Holdings	BVI 2 July 2021	Ordinary shares of US\$1	N/A	N/A	100%	Investment holding	(a)
Total Wisdom	BVI 12 July 2021	Ordinary shares of US\$1	N/A	N/A	100%	Investment holding	(a)

Notes:

- (a) No audited financial statements of Rise Nation, On Thrive Holdings and Total Wisdom has been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirement.
- (b) The statutory financial statements of Easy Smart Engineering and Easy Smart Maintenance for the year ended 30 June 2020, 2021 and 2022 were prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA ("SME-FRS") and audited by Pivot CPA Limited, Certified Public Accountants registered in Hong Kong.
- (c) The statutory financial statements of E-Build Technology for the period from 19 June 2020 (date of incorporation) to 30 June 2021 and for the year ended 30 June 2022 were prepared in accordance with SME-FRS and audited by Pivot CPA Limited, Certified Public Accountants registered in Hong Kong.

Except for Rise Nation, all subsidiaries are indirectly held by the Company. All subsidiaries now comprising the Group adopted 30 June as their financial year end date.

33. 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 consolidated statements of cash flows as cash flows from financing activities.

	Interest payables on bank borrowings	Dividend payables	Bank borrowings	Lease liabilities	Amount due to a non-controlling shareholder of a subsidiary	Amount due to a director	Accrued issue costs
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2019	-	-	-	489	12,327	-	-
Dividends recognised as distribution (note 12)	-	64,054	-	-	-	-	-
Financing cash flows	-	(24,354)	-	(764)	(12,873)	(3,216)	-
New leases entered	-	-	-	1,504	-	-	-
Finance costs recognised	-	-	-	18	-	-	-
Non-cash transaction (Note a)	-	(39,700)	-	-	641	4,452	-
At 30 June 2020	-	-	-	1,247	95	1,236	-
Dividends recognised as distribution (note 12)	-	6,000	-	-	-	-	-
Financing cash flows	(66)	(6,000)	9,688	(1,001)	52	(1,236)	-
New leases entered	-	-	-	614	-	-	-
Finance costs recognised	66	-	-	39	-	-	-
At 30 June 2021	-	-	9,688	899	147	-	-
Financing cash flows	(325)	-	(9,688)	(1,169)	(147)	-	(3,129)
New leases entered	-	-	-	2,665	-	-	-
Issue costs incurred	-	-	-	-	-	-	4,211
Finance costs recognised	325	-	-	21	-	-	-
At 30 June 2022	-	-	-	2,416	-	-	1,082
Financing cash flows	-	-	-	(444)	-	-	(754)
Issue costs incurred	-	-	-	-	-	-	813
Finance costs recognised	-	-	-	24	-	-	-
As at 31 October 2022	-	-	-	1,996	-	-	1,141
At 30 June 2021	-	-	9,688	899	147	-	-
Financing cash flows (unaudited)	(115)	-	(470)	(356)	(4)	-	(1,595)
New leases entered (unaudited)	-	-	-	391	-	-	-
Issue costs accrued (unaudited)	-	-	-	-	-	-	2,458
Finance costs recognised (unaudited)	115	-	-	8	-	-	-
At 31 October 2021 (unaudited)	-	-	9,218	942	143	-	863

Note:

- a. Non-cash transaction represents the dividends declaration as disclosed in note 20.

34. SUBSEQUENT EVENTS

Subsequent to the end of the Track Record Period, the Group has the following subsequent events took place subsequent to the reporting date:

- (a) The Group was granted new bank facilities amounting to HK\$5 million. The bank facilities are secured by fixed deposit of the Group and personal guarantees given by Mr. Dave Ng. The personal guarantees are expected to be released and replaced by the Company's corporate guarantee upon listing.
- (b) Pursuant to the resolutions of the Company's shareholders passed on 12 April 2023, subject to the share premium account of the Company being credited as a result of the issue of shares pursuant to the Share Offer set out in the section headed "Share Capital" in the Prospectus, the directors of the Company had authorised to allot and issue a total of 305,990,000 shares credited as fully paid at par to the holder(s) of the company's shares on the register of members of the Company, by way of capitalisation of the sum of approximately HK\$3,059,900 standing to the credit of the share premium account of the Company.
- (c) The Company has conditionally approved and adopted the share option scheme ("**Share Option Scheme**") on 12 April 2023. A summary of its principal terms are set out in "D. Share Option Scheme" in Appendix IV to the Prospectus.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 October 2022.

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 30 June 2022 and four months ended 31 October 2022 (the "Track Record Period") (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for the purpose of illustrating the effect of the proposed public offer and placing of the Shares of the Company (the "Share Offer") as if the Share Offer had taken place on 31 October 2022.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 October 2022 or at any further dates following the Share Offer. The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owner of the Company as at 31 October 2022 as derived from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owner of the Company as at 31 October 2022	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 October 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 October 2022
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$'000 (Note 3)
Based on an Offer Price of HK\$1.38 per Share	121,810	115,738	237,548	0.58
Based on an Offer Price of HK\$1.28 per Share	121,810	106,252	228,062	0.56

Notes:

- (1) The amount of audited consolidated net tangible assets of the Group attributable to owner of the Company as at 31 October 2022 was extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 102,000,000 Offer Shares at the indicative Offer Price of lower limit and upper limit of HK\$1.28 and HK\$1.38 per Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding listings expenses of HK\$17,144,000 charged to profit or loss up to 31 October 2022) and without taking into account of any shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis of 408,000,000 Shares in total, immediately following Group Reorganisation and assuming that the Share Offer of 102,000,000 new shares and capitalisation issue had been completed on 31 October 2022. It does not take into account any shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owner of the Company as at 31 October 2022 to reflect any trading results or other transactions of the Group entered into subsequent to 31 October 2022.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.

Deloitte.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Easy Smart Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Easy Smart Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 October 2022 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 25 April 2023 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Share Offer (as defined in the Prospectus) on the Group's financial position as at 31 October 2022 as if the proposed Share Offer had taken place at 31 October 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the years ended 30 June 2020, 2021 and 2022 and for the four months ended 31 October 2022, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 October 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 April 2023

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 September 2021 under the Companies Act. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 12 April 2023 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not

less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by an ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

(ix) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(x) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the

case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote and the right to speak.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each financial year other than the financial year of the Company's adoption of the Articles. Such annual general meeting must be held within six (6) months after the end of our Company's financial year (unless a longer period would not infringe the Listing Rules, if any) and shall be held in the Relevant Territory or elsewhere as may be determined by our Board and at such time and place as our Board shall appoint.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(viii) Right to Speak

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial

statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members may by an ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution or in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members

entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by an ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the

assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 7 September 2021 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account

may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Act;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary

resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to

challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 30 years from 23 September 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 7 September 2021. Our Company has established a principal place of business in Hong Kong at Unit A, 10/F., Ming Tak Centre, 135-137 Tung Chau Street, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 November 2021. Loong & Yeung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of Cayman Islands company law and certain provisions of our constitution is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 ordinary shares of a par value of HK\$0.01 each. At incorporation, one nil-paid Share was allotted and issued to the initial subscriber, an Independent Third Party, which was subsequently transferred to Lofty Profit on the same day.
- (b) Pursuant to a sale and purchase agreement dated 23 December 2021 entered into among our Company, Lofty Profit and Mr. Dave Ng, our Company directed Rise Nation as transferee to acquire one share in On Thrive Holdings and one share in Total Wisdom from Lofty Profit and in consideration for the acquisition, the one nil-paid subscriber Share and registered in the name of Lofty Profit was credited as fully paid together with a further 9,999 Shares was allotted and issued to Lofty Profit as all credited as fully paid.
- (c) On 12 April 2023, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares by the creation of 4,962,000,000 additional Shares, each ranking *pari passu* in all respects with the Shares then in issue.
- (d) Assuming that the Share Offer becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and Share Offer mentioned herein are made but taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, 408,000,000 Shares will be issued fully paid or credited as fully paid, and 4,592,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of our sole Shareholder passed on 12 April 2023” in this Appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in the section headed “Share capital” in this prospectus and in this paragraph headed “Changes in share capital of our Company” in this Appendix, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 12 April 2023

Pursuant to the written resolutions of our sole Shareholder passed on 12 April 2023, *inter alia*:

- (a) our Company approved and adopted the Memorandum and the Articles with effect from the Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of a par value of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares by the creation of an additional of 4,962,000,000 ordinary shares, each ranking *pari passu* with the existing Shares in all respects with our Shares in issue at the date of passing of these resolutions;
- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and any Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank *pari passu* in all respects with the then existing Shares;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and

conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and

- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$3,059,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 305,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 12 April 2023 (or as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with our Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set forth in Appendix I to this prospectus. Save as mentioned in the section headed “History, Reorganisation and corporate structure — Reorganisation”, there has been no change in the share capital of the subsidiaries of our Company during the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 12 April 2023, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Any repurchase must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account

before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Act, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person” (as defined in the Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

On the basis of 408,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors would be authorised under the Repurchase Mandate to repurchase up to 40,800,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchased Mandate must be fully paid up.

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, information and belief having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence which may arise under the Takeovers Code as a result of a repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) bought and sold notes dated 15 September 2021 executed between Mr. Dave Ng and Easy Smart Engineering for the transfer of 30 ordinary shares in Easy Smart Maintenance from Mr. Dave Ng to Easy Smart Engineering at the consideration of HK\$1,987,622;
- (b) an instrument of transfer dated 15 September 2021 entered into between Mr. Dave Ng and Easy Smart Engineering for the transfer of 30 ordinary shares in Easy Smart Maintenance from Mr. Dave Ng to Easy Smart Engineering at the consideration of HK\$1,987,622;
- (c) a sale and purchase agreement dated 19 October 2021 entered into, amongst others, Mr. Dave Ng as vendor and Lofty Profit as purchaser, pursuant to which, Mr. Dave Ng transferred his 10,000 shares in Easy Smart Engineering to Lofty Profit (which directed Total Wisdom as the transferee) and as consideration for which 79 shares at par value of US\$1.00 each in Lofty Profit, credited as fully paid, were allotted and issued to Mr. Dave Ng;

- (d) bought and sold notes dated 19 October 2021 executed between Mr. Dave Ng and Total Wisdom for the transfer of 10,000 shares in Easy Smart Engineering from Mr. Dave Ng to Total Wisdom as referred to in paragraph (c) above;
- (e) an instrument of transfer dated 19 October 2021 entered into between Mr. Dave Ng and Total Wisdom for the transfer of 10,000 shares in Easy Smart Engineering from Mr. Dave Ng to Total Wisdom as referred to in paragraph (c) above;
- (f) a sale and purchase agreement dated 19 October 2021 entered into, amongst others, Mr. Dave Ng as vendor and Lofty Profit as purchaser, pursuant to which, Mr. Dave Ng transferred his 100 shares in E-Build Technology to Lofty Profit (which directed On Thrive Holdings as the transferee) and as consideration for which 20 shares at par value of US\$1.00 each in Lofty Profit, credited as fully paid, were allotted and issued to Mr. Dave Ng;
- (g) bought and sold notes dated 19 October 2021 executed between Mr. Dave Ng and On Thrive Holdings for the transfer of 100 shares in E-Build Technology from Mr. Dave Ng to On Thrive Holdings as referred to in paragraph (f) above;
- (h) an instrument of transfer dated 19 October 2021 entered into between Mr. Dave Ng and On Thrive Holdings for the transfer of 100 shares in E-Build Technology from Mr. Dave Ng to On Thrive Holdings as referred to in paragraph (f) above;
- (i) a sale and purchase agreement dated 23 December 2021 entered into amongst Lofty Profit (as vendor), Mr. Dave Ng (as vendor's warrantor) and our Company (as purchaser), pursuant to which Lofty Profit transferred its one share in Total Wisdom and one share in On Thrive Holdings to our Company (which directed Rise Nation as the transferee) and as consideration for which one nil-paid subscriber Share of our Company was credited as fully paid together with a further 9,999 Shares was allotted and issued to Lofty Profit as all credited as fully paid;
- (j) an instrument of transfer dated 23 December 2021 entered into between Lofty Profit and Rise Nation for the transfer of one share in Total Wisdom from Lofty Profit to our Company (which directed Rise Nation as the transferee) as referred to in paragraph (i) above;
- (k) an instrument of transfer dated 23 December 2021 entered into between Lofty Profit and Rise Nation for the transfer of one share in On Thrive Holdings to our Company (which directed Rise Nation as the transferee) as referred to in paragraph (i) above;
- (l) the Deed of Non-competition;
- (m) the Deed of Indemnity; and
- (n) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

Our Group had registered the following trademarks in Hong Kong, which are material in relation to our business:

<u>Trademark</u>	<u>Class</u>	<u>Registration Number</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Term</u>
	2, 11, 37	305722632AA	Hong Kong	Easy Smart Engineering	19 August 2021 to 18 August 2031
	9, 17, 42	305722632AC	Hong Kong	Easy Smart Engineering	19 August 2021 to 18 August 2031
	6, 17, 19	305786542AA	Hong Kong	Easy Smart Engineering	29 October 2021 to 28 October 2031

(b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

<u>Registrant</u>	<u>Domain Name</u>	<u>Registration Date</u>	<u>Expiry Date</u>
Easy Smart Engineering	easysmart.com.hk	23 May 2003	24 May 2024

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests and short positions of the Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company and our associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

<u>Name of Director</u>	<u>Capacity/ Nature of interest</u>	<u>Immediately following the completion of the Share Offer and the Capitalisation Issue</u>	
		<u>Number of Shares held/ interested in</u>	<u>Percentage of shareholding interest (Note 1)</u>
Mr. Dave Ng (Note 2)	Interest in controlled corporation	306,000,000	75%

Note 1: The calculation is based on the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

Note 2: Lofty Profit is wholly-owned by Mr. Dave Ng. Therefore, Mr. Dave Ng is deemed to be interested in the Shares held by Lofty Profit upon the Listing.

(ii) *Long position in the ordinary shares of our associated corporation*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/ Nature of interest</u>	<u>Number of Shares held/ interested in</u>	<u>Percentage of shareholding interest</u>
Mr. Dave Ng	Lofty Profit	Beneficial Owner	100	100%

(b) *Interests and short positions of substantial shareholders in the Shares and underlying Shares of our Company*

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long Position in our Company

<u>Name</u>	<u>Capacity/ Nature of interest</u>	<u>Immediately following the completion of the Share Offer and the Capitalisation Issue</u>	
		<u>Number of Shares held/ interested in</u>	<u>Percentage of shareholding interest (Note 1)</u>
Lofty Profit (Note 2)	Beneficial owner	306,000,000	75%
Ms. Wong Kwai Ying (Note 3)	Interest of spouse	306,000,000	75%

Note 1: The calculation is based on the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

Note 2: Lofty Profit is wholly-owned by Mr. Dave Ng. Therefore, Mr. Dave Ng is deemed to be interested in the Shares held by Lofty Profit upon the Listing.

Note 3: Ms. Wong Kwai Ying is the spouse of Mr. Dave Ng. Therefore, Ms. Wong Kwai Ying is deemed, or taken to be, interested in all the Shares in which Mr. Dave Ng has, or is deemed to have, an interest for the purpose of SFO.

2. Directors' service contracts

(a) Executive Directors

Each of our executive Directors has entered into service contract with our Company on 12 April 2023. The initial term of their respective service contracts shall commence from the Listing Date until the closing of the 2024 annual general meeting of our Company, or terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than one month's written notice.

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into service contract with our Company on 12 April 2023. The initial term of their respective service contracts shall commence from the Listing Date until the closing of the 2024 annual general meeting of our Company, or terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than one month's written notice.

3. Directors' remuneration

- (a) The aggregate amount of remuneration (including Directors' fees, salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions) paid to our Directors by our Group in respect of the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 were approximately HK\$1.0 million, HK\$1.0 million, and HK\$1.0 million and HK\$0.3 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 30 June 2023 will be approximately HK\$1.1 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK\$
Executive Directors	
Mr. Dave Ng	720,000
Mr. Vincent Ng	720,000
Independent non-executive Directors	
Prof. Pong Kam Keung	180,000
Ms. Cheng Shing Yan	180,000
Mr. Lo Chi Wang	180,000

- (d) None of the Directors waived any emoluments during the Track Record Period. In addition, no emoluments were paid by our Group to the Directors as an inducement to join or upon joining our Group or as compensation for loss of office.

4. Fees or commission received

Save as disclosed in the section headed “Underwriting — Undertaking by our Controlling Shareholders — Fees, commission and expenses” in this prospectus, none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 31 to the Accountants’ Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and experts” in this Appendix and this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

- (e) taking no account of any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange;
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group in each year/period during the Track Record Period; and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 12 April 2023. The following is a summary of the principal terms of the Share Option Scheme but does not form, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules.

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	the date on which the Share Option Scheme is conditionally adopted upon fulfillment of all conditions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Exercise Price”	the price per Share at which a grantee of the Share Option Scheme may subscribe for Share on the exercise of an option
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth (10th) anniversary thereof, unless terminated earlier by our Shareholders in general meeting

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 12 April 2023:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to Eligible Participants (as defined in paragraph (b) below) as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given our Directors are entitled to determine any performance targets to be achieved as well as the vesting period that an option must be held before an option can be exercised on a case by case basis, and that the Exercise Price cannot in any event fall below the Share price stipulated in the Listing Rules or such higher Share price as may be fixed by our Directors, it is expected that grantee of an option will make an effort to contribute to the development of our

Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(b) Who may join and basis of eligibility

Our Directors may at any time within the Scheme Period, at its absolute discretion, in accordance with the provisions of the Share Option Scheme and the Listing Rules make an offer to any person belonging to any of the following classes of participants ("**Eligible Participant(s)**") to take up options to subscribe for Shares:

- (i) Directors (including any executive Director, non-executive Director and independent non-executive Director) and employees (whether full-time or part-time employee) of our Group, including persons who are granted Options or Awards under the Share Scheme as an inducement to enter into employment contracts with our Group ("**Employee Participant(s)**");
- (ii) directors and employees ("**Related Entity Participant(s)**") of the holding companies, fellow subsidiaries or associated companies of our Company ("**Related Entity(ies)**"); and
- (iii) person(s) who provide services to our Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of our Group, including but not limited to person(s) who work for our Group as independent contractors (including advisers, consultants, distributors, contractors, suppliers, agents and service providers of any member of the Group) where the continuity and frequency of their services are akin to those of employees ("**Service Provider(s)**"), but excluding placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions or professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

and, for the purpose of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more Eligible Participants (if applicable).

For the avoidance of doubt, placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, professional service providers, such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity shall be excluded. The grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the aforesaid agents or advisers shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any Eligible Participant to the grant of any option shall be determined by the Board (or as the case may be, where required under the Listing Rules, approved by our independent non-executive Directors) from time to time on the basis of our Directors' opinion as to the Eligible Participant's contribution or potential contribution to the development and growth of our Group.

(c) Consideration for the option and the Exercise Price

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The Exercise Price in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the date of grant of the option.

(d) Grant of options and acceptance of offers

An offer for the grant of options shall be made to an Eligible Participant on a Business Day in writing (the "**Offer Letter**") in such form as the Board may from time to time determine, requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned for a period of 7 Business Days from the date of offer (inclusive of the date of offer).

An offer shall be deemed to have been accepted and an option shall be deemed to have been granted and accepted and to have taken effect when the Offer Letter is duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within 7 Business Days from the date of offer (inclusive of the date of offer). Such remittance shall in no circumstances be refundable.

(e) Maximum number of Shares available for subscription

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date ("**General Scheme Limit**"). Therefore, it is expected that our Company may grant options in respect of up to 40,800,000 Shares (assuming that

the Over-allotment Option is not exercised) to the Eligible Participants under the Share Option Scheme. The maximum number of Shares that may be issued in respect of all options to be granted to Service Providers within the General Scheme Limit shall not exceed 3% of the Shares in issue as at the Listing Date ("**Service Provider Sublimit**").

- (ii) Without prejudice to (iii) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit, or if applicable, the Service Provider Sublimit after three (3) years from the date of Shareholders' approval for the last refreshment (or the Adoption Date of the Share Option Scheme). Any refreshment within any three (3) years period must be approved by our Shareholder subject to:
 - (a) any Controlling Shareholders and their associates (or if there is no Controlling Shareholder, Directors (excluding Independent Non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
 - (b) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules,

provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit mandate. A circular must be sent to our Shareholders containing the number of Options that were already granted under the existing General Scheme Limit and the existing Service Provider Sublimit, and the reason for the refreshment.

- (iii) Without prejudice to (ii) above, our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the General Scheme Limit and the refreshed limit provided the options in excess of the General Scheme Limit and the refreshed limit are granted only to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing the name of each specified Eligible Participants who may be granted such options, the number and terms of such options to be granted and the purpose of granting options to such specified Eligible Participants with an explanation as to how the terms of the options serve such purpose. The number and terms of options to be granted to such Eligible Participants must be fixed before Shareholders' approval. In respect of any options to be granted, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by our Shareholders in general meeting of our Company with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant in the 12-month period), the purpose of granting options to the Eligible Participant and an explanation as to how the terms of the Option serve such purpose and all other information required under the Listing Rules. The date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

(g) *Grant of options to our Directors, chief executive or Substantial Shareholders of our Company or their respective associates*

Notwithstanding the aforesaid,

- (i) any offer for the grant of an option under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who or whose associates is the proposed grantee of the option);
- (ii) where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued in respect of all options granted (excluding any options lapsed in accordance with the terms of the Share Option Scheme) to such person in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the Shares in issue;

such further grant of options must be approved by our Shareholders at a general meeting of our Company in the manner set out in Rule 17.04(4) of the Listing Rules. In the circumstances described in sub-paragraph (ii) above, our Company must send a circular to the Shareholders. The grantee, his/her associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules. The circular must contain:

- (i) details of the number and terms of the options to be granted to each participant, which must be fixed before the Shareholders' meeting. In respect of any options to be granted, the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules;
- (ii) the views of the independent non-executive Directors of our Company (excluding any independent non-executive Director who is the grantee of the options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of our Company and the Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

Any change in the terms of an option granted to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by our Shareholders in the manner as set out in Rule 17.04(4) of the Listing Rules if the initial grant of the options requires such approval (except the changes take effect automatically under the existing terms of the Share Option Scheme).

Notwithstanding the aforesaid, the requirements for the grant to a Director or chief executive of our Company set out in Rule 17.04 of the Listing Rules do not apply where the Eligible Participant is only a proposed Director or chief executive of our Company.

(h) Time of exercise of option and vesting Period

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten (10) years from the date of grant subject to the provision of early termination thereof.

The vesting period for options shall not be less than 12 months. Options granted to Employee Participants may be subject to a shorter vesting period under specific circumstances as the Board may determine and notified to each Employee Participant. Any such specific circumstances and an explanation by the Company's Board (or the remuneration committee where the arrangements relate to grant of options to the Directors and/or senior managers) as to why the arrangements are appropriate and how the grants align with the purpose of the Share Option Scheme must be clearly disclosed in the circular for the adoption of the Share Option Scheme. In any event, the vesting period shall commence from the date of the offer for the grant of options is made, but shall end in any event not later than ten (10) years from the date of offer for the grant of the option subject to the provisions of early termination thereof.

(i) Performance targets

Save as determined by the Board and stated in the offer of the grant of the relevant options to a grantee, there is no performance target which must be achieved before any of the options under the Share Option Scheme can be exercised.

(j) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in sub-paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(k) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the then fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) *Rights are personal to grantee*

An option shall not be transferable or assignable and must be personal to the respective grantee of the option. The Stock Exchange may consider granting a waiver to allow a transfer of a vehicle (such as a trust or a private company) for the benefit of an Eligible Participant and any family members of such Eligible Participant (for instance, for estate planning or tax planning purposes) that would continue to meet the purpose of the Share Option Scheme and comply with other requirements of Chapter 17 of the Listing Rules. Where such waiver is granted, the Stock Exchange shall require our Company to disclose the beneficiaries of the trust or the ultimate beneficial owners of the transferee vehicle.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three (3) years prior to the death, in the case the grantee is an Employee Participant at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) in whole or in part in accordance with the provisions of the Share Option Scheme within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (t) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an Employee Participant of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Related Entities into disrepute), or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group).

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an Employee Participant at the date of grant and he subsequently ceases to be an Employee Participant for any reason other than his death or the termination of his employment of an Employee Participant on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three (3) months after the date of cessation of such employment of an Eligible Employee (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(p) Rights on breach of contracts

If in respect of a grantee other than an Employee Participant, our Directors shall at their absolute discretion determine that (i) (1) the grantee or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Related Entity on the other part; or

(2) the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (ii) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraphs (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

(q) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the Exercise Price of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules (or any guideline or supplemental guideline as may be issued by the Stock Exchange from time to time), provided that any such alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as (but in any event shall not be greater than) that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(r) Rights on a general offer

In the event of a general or partial offer (whether by way of takeover offer, or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use all reasonable endeavours to procure that an appropriate offer is extended to all the grantees (on comparable terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, as Shareholders). If such offer becomes or is declared unconditional, a grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the date of the close of such offer (or any revised offer). Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed.

(s) *Rights on winding-up*

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two (2) Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(t) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Act, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two (2) Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("**Suspension Date**"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to

the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(u) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) paragraphs (m), (n), (o) and (p) shall apply to grantee and to the option granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (m), (n), (o) and (p) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and terminate on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(v) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in paragraph (h) above;
- (ii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (p), (r) or (t) above;
- (iii) subject to paragraph (s) above, the date of the commencement of the winding-up of our Company;
- (iv) the occurrence of any serious misconduct, act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (v) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (vi) where the grantee is only a Substantial Shareholder of any member of our Group, the date on which the grantee ceases to be a Substantial Shareholder of such member of our Group; or

- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(w) Cancellation of options granted but not yet exercised

Our Directors shall have the absolute discretion to cancel any options granted but not exercised or lapsed at any time if the Grantee so agreed. Any grantee whose options are cancelled pursuant to the aforesaid may be issued new options in accordance with the provisions of the Share Option Scheme, provided that options cancelled will be regarded as utilized for the purpose of calculating the General Scheme Limit and the Service Provider Sublimit.

(x) Period of the Share Option Scheme

The Share Option Scheme will remain in force for the Scheme Period which is of ten (10) years commencing on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth (10th) anniversary thereof, unless terminated earlier by our Shareholders in general meeting.

(y) Alteration to the Share Option Scheme

- (i) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants must be approved by our Shareholders in general meeting.
- (ii) Any change to the terms of the option granted to an Eligible Participant must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or our Shareholders of our Company (as the case may be) if the initial grant of the options was approved by the Board, the remuneration committee, the independent non-executive Directors and/or our Shareholders of our Company (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) The amended terms of the Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (iv) Any change to the authority of our Directors or scheme administrators to alter the terms of the Share Option Scheme must be approved by our Shareholders of our Company in general meeting.

(z) *No clawback mechanism*

Our Company has not established a clawback mechanism to recover or withhold the remuneration (which may include any options granted) to any participants in the event of serious misconduct, a material misstatement in our Company's financial statements or other circumstances.

(aa) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(bb) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (ii) the commencement of dealings in our Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 40,800,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Our Controlling Shareholders have, under the Deed of Indemnity as referred to in the paragraph headed “B. Further information about the business — 1. Summary of material contracts” in this Appendix, given joint and several indemnities to our Company for itself and as trustee for and on behalf of its subsidiaries in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;
- (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission, transaction, matter, thing or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional;
- (c) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional;
- (d) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional; and
- (e) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before on which the Share Offer becomes unconditional.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (i) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited consolidated financial statements of any member of our Group for the Track Record Period; or
- (ii) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (iii) the taxation liability arises in the ordinary course of business of our Group after 31 October 2022 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed “Business — Litigations and potential claims” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our executive Directors to be pending or threatened by or against any member of our Group.

3. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be allotted and issued pursuant to the exercise of the Over-allotment Option and any options under the Share Option Scheme).

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

We agreed to pay approximately HK\$6.2 million to the Sole Sponsor for the purposes of services provided by the Sole Sponsor in the capacity of sponsor.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK\$52,200 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
Grande Capital Limited	a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditors
Loong & Yeung	Legal advisers to our Company as to Hong Kong laws
Appleby	Legal advisers to our Company as to Cayman Islands laws
Chan Chung	Barrister-at-law of Hong Kong
Shanghai Wen Fei Yong Law Firm	Legal advisers to our Company as to PRC laws
Frost & Sullivan International Limited	Industry consultant
BT Corporate Governance Limited	Internal control consultant
APAC Asset Valuation and Consulting Limited	Independent valuer

7. Consents of experts

Each of the experts named in the paragraph headed “E. Other information — 6. Qualification of experts” in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its/his reports and/or letters and/or opinions and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Appleby Global Services (Cayman) Limited and a branch register of members of our Company will be maintained by Boardroom Share Registrars (HK) Limited. Save where our Directors agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

11. No material adverse change

Our Directors confirmed that, save for the expenses expected to be incurred in connection with the Listing, up to the date of this prospectus, there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 October 2022 (being the date to which the latest audited consolidated financial statements of our Group were made up) and there is no event since 31 October 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

12. Miscellaneous

- (a) Save as disclosed in the paragraphs headed "A. Further Information about our Company" and "C. Further Information about Substantial Shareholders, Directors and experts" in this Appendix to this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or the subsidiaries;
 - (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) Save as disclosed in the section headed "Underwriting" in this prospectus, none of the parties listed in the paragraph headed "Consents of experts" in this Appendix is interested legally or beneficially in any securities of our Company or any of its subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of our Company or any of its subsidiaries;

- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (e) There is no arrangement under which future dividends have been waived;
- (f) Our Group has no outstanding convertible debt securities;
- (g) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law; and
- (h) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in sections 4 and 5 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

<p style="text-align: center;">APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND DOCUMENTS AVAILABLE ON DISPLAY</p>
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DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **GREEN** Application Form;
- (b) copies of the material contracts referred to in the section headed “Statutory and general information — B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and general information — E. Other information — 7. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.easysmart.com.hk during a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the Track Record Period;
- (e) the legal opinion prepared by Loong & Yeung, our Hong Kong legal advisers in respect of certain aspects of our Group as to the Hong Kong laws;
- (f) the letter of advice prepared by Appleby, our Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the legal opinion prepared by our Legal Counsel in relation to certain non-compliances of our Group;
- (h) the legal opinion prepared by Shanghai Wen Fei Yong Law Firm, our PRC legal advisers, in respect of certain aspects of Shanghai Yijun as to the PRC laws;

<p style="text-align: center;">APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND DOCUMENTS AVAILABLE ON DISPLAY</p>
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- (i) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed “Industry overview” in this prospectus;
- (j) the review report issued by BT Corporate Governance Limited in respect of certain aspects of the internal controls of our Group;
- (k) the fair rent opinion prepared by APAC Asset Valuation and Consulting Limited in relation to certain tenancies of properties of our Group;
- (l) the material contracts referred to in the section headed “Statutory and general information — B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (m) the written consents of experts referred to in the section headed “Statutory and general information — E. Other information — 7. Consents of experts” in Appendix IV to this prospectus;
- (n) the service agreements with our Directors referred to in the section headed “Statutory and general information — C. Further information about substantial shareholders, directors and experts — 2. Directors’ service contracts” in Appendix IV to this prospectus;
- (o) the share option scheme referred to in the section headed “Statutory and general information — D. Share option scheme” in Appendix IV to this prospectus; and
- (p) the Companies Act.

Easy Smart Group Holdings Limited
怡俊集團控股有限公司