

SUMMARY

This summary aims to give you an overview of the information contained in this document. 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 [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" in this document.

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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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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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.

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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 <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	35.7	100,164	53.8	67,496	28.1	33,967	41.9	23	25,192	19.2
- Residential	19	46,881	31.3	23,653	12.7	44,090	18.4	10,649	13.2	8	8,457	6.5
Sub-total	58	100,449	67.0	123,817	66.5	111,586	46.5	44,616	55.1	32	33,649	25.7
Private												
- Commercial and industrial	26	11,372	7.6	32,530	17.5	80,874	33.7	21,116	26.1	12	90,032	68.8
- Residential	24	18,878	12.6	15,951	8.6	30,885	12.8	7,662	9.4	14	5,032	3.8
- Public infrastructure and facilities <i>Note 2</i>	1	19,286	12.9	13,877	7.4	16,800	7.0	7,645	9.4	4	2,221	1.7
Sub-total	51	49,536	33.0	62,358	33.5	128,559	53.5	36,423	44.9	30	97,285	74.3
Total	109	149,985	100.0	186,175	100.0	240,145	100.0	81,039	100.0	62	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.

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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\$349.5 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 document.

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	74,318	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 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 document.

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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 [REDACTED], please refer to the sections headed "Business — Our suppliers — Five largest suppliers during the Track Record Period" and "Connected transactions" in this document).

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 document.

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.

Generally the pricing of our services is on a cost plus basis. 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

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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 document.

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 document.

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 document.

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 document before making any investment decision in the [REDACTED]. 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 or cost overruns may adversely affect our financial results; (iv) unsatisfactory performance 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 [REDACTED] and the [REDACTED] (assuming that the [REDACTED] 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 [REDACTED] 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 document.

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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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
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	-

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 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 document.

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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 [REDACTED] expenses incurred of approximately [REDACTED] 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 [REDACTED] expenses incurred of approximately [REDACTED] for the four months ended 31 October 2021 as compared to approximately [REDACTED] for the four months ended 31 October 2022.

Highlights of our consolidated statements of financial position

	As at 30 June			As at 31 October
	2020	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 document.

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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.

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> (unaudited)	<i>HK\$'000</i>
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	25,396	41,343	35,082	29,517	67,443

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 document.

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\$74.3 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 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 3.4%, respectively. We had lower tender success rates for the year ended 30 June 2022 and the four months ended 31 October 2022 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 tender success rates may continue to decline until our financial resources and workforce capacity for undertaking new contracts improves after [REDACTED] and we will 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

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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 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 [REDACTED], up to the date of this document, 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 document.

[REDACTED] STATISTICS

	Based on an [REDACTED] of [REDACTED] per [REDACTED]	Based on an [REDACTED] of [REDACTED] per [REDACTED]
Market capitalisation of our Shares ^(Note 1)	[REDACTED]	[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ^(Note 2)	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] and the [REDACTED] without taking into account any Shares to be issued pursuant to the exercise of the [REDACTED] or any options to be granted under the Share Option Scheme.
- (2) Please refer to Appendix II to this document for the bases and assumptions in calculating these figures.

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[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately [REDACTED]. Based on an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range of [REDACTED] per [REDACTED] to [REDACTED] per [REDACTED]) and assuming the [REDACTED] is not exercised, the gross [REDACTED] from the [REDACTED] are expected to be approximately [REDACTED]. Assuming the full payment of the discretionary incentive fee to the [REDACTED], the estimated expenses in relation to the [REDACTED] represents approximately [REDACTED] of the gross [REDACTED] from the [REDACTED], comprising of approximately [REDACTED] in [REDACTED]-related expenses (including [REDACTED] commission and [REDACTED] fee) and approximately [REDACTED] in non-[REDACTED]-related expenses, which are further categorised into fees and expenses of legal advisers and the reporting accountants of approximately [REDACTED], and other fees and expenses (including the Sole Sponsor's fee) of approximately [REDACTED]. Out of the estimated [REDACTED] expenses of approximately [REDACTED], approximately [REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. The remaining amount of approximately [REDACTED], which cannot be so deducted, shall be charged to profit or loss and other comprehensive income, of which approximately [REDACTED] and [REDACTED] was charged for the year ended 30 June 2022 and the four months ended 31 October 2022, respectively, while the balance of approximately [REDACTED] is expected to be charged for the year ending 30 June 2023. All of our [REDACTED] 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 [REDACTED] were appointed after 30 June 2021 and taking into account the completion of the [REDACTED] by the [REDACTED], thus the expenses in connection with their appointments are expected to be recognised during those financial years. Expenses in relation to the [REDACTED] are non-recurring in nature.

FUTURE PLANS AND USE OF [REDACTED]

Assuming the [REDACTED] is not exercised, we estimate that we will receive net [REDACTED] of approximately [REDACTED] from the [REDACTED], after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range stated in this document. We intend to use such net [REDACTED] from the [REDACTED] for the following purposes: (i) approximately [REDACTED] (approximately [REDACTED]), for financing the up-front costs of our earmarked projects and potential variation orders of our Group's projects; (ii) approximately [REDACTED] (approximately [REDACTED]), for increasing our headcount; (iii) approximately [REDACTED] (approximately [REDACTED]), 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 [REDACTED] (approximately [REDACTED]) will be reserved as our general working capital. For details, please refer to the section headed "Future plans and use of [REDACTED]" in this document.

SUMMARY

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 document.

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 document.

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 document.