

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report set out on pages I-1 to I-[55] received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.

**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-[55], 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-[55] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the initial [REDACTED] 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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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

[Date]

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.

APPENDIX I

ACCOUNTANTS' REPORT

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)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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>

APPENDIX I

ACCOUNTANTS' REPORT

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>
Net current assets		<u>34,105</u>	<u>76,699</u>	<u>92,368</u>	<u>116,005</u>
Total assets less current liabilities		<u>37,159</u>	<u>79,314</u>	<u>99,520</u>	<u>122,553</u>

APPENDIX I

ACCOUNTANTS' REPORT

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

APPENDIX I

ACCOUNTANTS' REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 30 June	As at 31 October
	<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

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Company				Non-controlling interest HK\$'000	Total equity HK\$'000
	Share capital	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000 (Note)	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
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

APPENDIX I

ACCOUNTANTS' REPORT

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 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000 (unaudited)	2022 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

APPENDIX I

ACCOUNTANTS' REPORT

	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
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 (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)
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 (Note 2(b))	-	-	(1,988)	(1,988)	-
Issue costs paid for initial [REDACTED] of shares	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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 AT BEGINNING OF THE YEAR/PERIOD	(34,633)	15,947	(6,261)	(11,826)	32,361
	<u>60,029</u>	<u>25,396</u>	<u>41,343</u>	<u>41,343</u>	<u>35,082</u>
	<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 Document.

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 [REDACTED] 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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

(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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

(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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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>

APPENDIX I

ACCOUNTANTS' REPORT

(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 HK\$'000
Provision of passive fire protection works				
– 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.

APPENDIX I

ACCOUNTANTS' REPORT

(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 (note)	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

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
	18	105	346	123	24

APPENDIX I

ACCOUNTANTS' REPORT

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
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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.

APPENDIX I

ACCOUNTANTS' REPORT

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>

APPENDIX I

ACCOUNTANTS' REPORT

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 [●] 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>

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

- (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>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</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.

APPENDIX I

ACCOUNTANTS' REPORT

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
Dividend recognised as distributions during the year/period	64,054	6,000	-	-	-

(unaudited)

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	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Basic earnings per share (HK cents)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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 [REDACTED] of [REDACTED] shares had been effective since 1 July 2019.

There were no potential ordinary shares during the Track Record Period.

APPENDIX I

ACCOUNTANTS' REPORT

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%

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	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	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 [REDACTED] expenses and issue cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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
	2020	2021	2022	31 October
	2022	2022	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).

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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>

APPENDIX I

ACCOUNTANTS' REPORT

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				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.

APPENDIX I

ACCOUNTANTS' REPORT

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 [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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>

APPENDIX I

ACCOUNTANTS' REPORT

	Number of ordinary shares of HK\$0.01 each	Amount
		<i>HK\$</i>
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
	<hr/>	<hr/>
At 30 June 2022 and 31 October 2022	10,000	100
	<hr/> <hr/>	<hr/> <hr/>

28. RESERVE OF THE COMPANY

	Accumulated losses
	<i>HK\$'000</i>
As at 7 September 2021 (date of incorporation)	–
Loss and total comprehensive expense for the period	(14,205)
	<hr/>
As at 30 June 2022	(14,205)
Loss and total comprehensive expense for the period	(2,956)
	<hr/>
As at 31 October 2022	(17,161)
	<hr/> <hr/>

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.

APPENDIX I

ACCOUNTANTS' REPORT

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 31 October	As at 31 October	
	2020	2021	2022	2022	2022
	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.

APPENDIX I

ACCOUNTANTS' REPORT

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:

Internal credit rating	Description	Trade receivables and contract assets	Other financial assets
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

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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
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

APPENDIX I

ACCOUNTANTS' REPORT

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
		11,392	197	344	550	12,483	12,443

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
		13,570	784	1,485	8,202	24,041	23,374

APPENDIX I

ACCOUNTANTS' REPORT

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
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	Carrying amount	Total undiscounted cash flow and carrying amount
								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>

APPENDIX I

ACCOUNTANTS' REPORT

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
	<i>HKD'000</i>
As at 1 July 2021	-
Purchased	3,179
As at 30 June 2022 and 31 October 2022	<u>3,179</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
Short term employee benefits	1,483	1,439	2,232	664	1,167
Post-employment benefits	54	54	72	24	24
	<u>1,537</u>	<u>1,493</u>	<u>2,304</u>	<u>688</u>	<u>1,191</u>

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

	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.

APPENDIX I

ACCOUNTANTS' REPORT

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 [REDACTED].
- (b) [Pursuant to the resolutions of the Company's shareholders passed on [●], subject to the share premium account of the Company being credited as a result of the issue of shares pursuant to the [REDACTED] set out in the section headed "Share Capital" in the Document, the directors of the Company had authorised to allot and issue a total of [REDACTED] 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 [REDACTED] of the sum of approximately [REDACTED] 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 [●]. A summary of its principal terms are set out in "D. Share Option Scheme" in Appendix IV to the Document.

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.