



瑞港建設控股有限公司

Prosper Construction Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6816

ANNUAL REPORT 2025



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Corporate Information

Executive Directors

Mr. Jiang Hongchang (*Chairman*)
Mr. Liu Yutao (*Chief Executive Officer*)
Mr. Zhou Hongbao (*Chief Operating Officer*)
Mr. Li Chunxiao
Mr. Cui Qiang

Independent Non-executive Directors

Mr. Cheung Chi Man Dennis
Ms. Chen Yan
Mr. Liu Junchun

Audit Committee

Mr. Cheung Chi Man Dennis (*Chairman*)
Ms. Chen Yan
Mr. Liu Junchun

Nomination Committee

Mr. Jiang Hongchang (*Chairman*)
Mr. Liu Yutao
Mr. Cheung Chi Man Dennis
Ms. Chen Yan
Mr. Liu Junchun

Remuneration Committee

Ms. Chen Yan (*Chairman*)
Mr. Cheung Chi Man Dennis
Mr. Liu Junchun
Mr. Jiang Hongchang
Mr. Liu Yutao

Risk Management Committee

Mr. Jiang Hongchang (*Chairman*)
Mr. Liu Yutao
Mr. Cheung Chi Man Dennis
Ms. Chen Yan
Mr. Liu Junchun
Mr. Cui Qiang

Strategy and Investment Committee

Mr. Jiang Hongchang (*Chairman*)
Mr. Liu Yutao
Mr. Cheung Chi Man Dennis
Ms. Chen Yan
Mr. Liu Junchun

Company Secretary

Mr. Lee Baldwin

Authorised Representative in Hong Kong

Mr. Wong Ting Pan Ronald

Registered Office

Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Rooms 03-08, 24/F, Shui On Centre,
6-8 Harbour Road, Wanchai,
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Auditor

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of Communications (Hong Kong) Limited

Stock code

6816

Company Website

www.prosperch.com

Chairman's Statement

On behalf of the board of directors (“Board”) of Prosper Construction Holdings Limited (“Company”), I present the annual report of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2025 (“FY2025” or “Year”).

The Group’s general construction contracting business remained hindered by uncertainties in the PRC property market. Hong Kong and Macau have seen relatively few large-scale marine projects unveiled in the past two years, leading to a dwindling and highly competitive market. In response, the Group had been actively expanding its geographic coverage and attuning its products and services to capture market opportunities in both the aforesaid business segments, which rendered positive results and revenue growth in FY2025.

Simultaneously, the Group had taken the strategic move to establish the new trading business segment, which involved both domestic and import/export trades of industrial and consumer goods. The Group noted that the government of Qingdao city is promulgating to establish Qingdao as an international shipping hub serving the Yellow River Basin, synergising eastern, central and western regions, facing the Asia-Pacific, and connecting with countries along the Belt and Road region. It is envisaged that the Group’s trading business segment will synergise with the development plan of its controlling shareholder – the Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* (“Haifa Group”) and be in an advantageous position to take on opportunities in relation thereto.

Overall, albeit the liquidity crunch in the property market remained a key constrain to Group’s ability to realise its financial assets, we are seeing upward trends in activity across all our operating segments and expect the positive momentum to continue in the coming year, especially in the trading business.

I take this opportunity to express gratitude to our shareholders, business partners, staff members and my fellow Board members for their continuous support throughout the years.

JIANG Hongchang

Chairman and Executive Director

31 March 2026

Management Discussion and Analysis

Business Review and Outlook

The national government announced a series of economic stabilisation measures since year 2024, including optimising policies on the regulation of real estate sector, which are expected to help stabilise the real estate market and improve market predictability. Albeit the China Real Estate Climate Index indicated improvement from the previous year, overall market performance remained unfavourable during year 2025, especially in the secondary market. It is expected more time is required for the market to absorb the existing supply and the take in the impact of economic policies.

In response to market uncertainties, the Group's general construction business segment had been actively expanding its geographic coverage and attuning its products and services to meet customers' needs. Such strategy yielded positive results and the general construction business recorded revenue growth of approximately 10% for the financial year ended 31 December 2025 ("FY2025" or "Year"). Two of the top three revenue-contributing projects in FY2025 were located in newly expanded geographic locations, including one in southern China and one in Central Asia, each brought in over HK\$100 million of revenue.

Furthermore, we noted certain of the Group's customers began to encounter liquidity issue and default in settlement of contract payments. In order to safeguard the Group's interest and contain exposure to bad debts, we negotiated with selected customers to take over quality properties for settlement of past due receivable balances during FY2025. The Group intends that the properties acquired in receivables settlement will be held for rental and for sale (at prices determined to be favourable) with a view to enhance liquidity and limit asset deterioration. The Group will consider plan to acquire further quality real estate properties in settlement of past due receivable balances in circumstances deemed fit and appropriate.

Marine construction activities in Hong Kong and Macao remained at relatively low level and with fierce competition. The Group focused on developing overseas markets, mainly targeting business opportunities associated with projects by state-owned enterprises located abroad, including in the Middle East and the Belt and Road region in Southeast Asia. In FY2025, while there were increased business opportunities in overseas market, majority of revenue were sourced from a key project Hong Kong.

The Group also commenced a new trading business segment during FY2025 which involve domestic and import/export trades of industrial and consumer products. The profit margin from the trading business is relatively low at the current stage and scale of operation, but the Group will actively expand its distribution networks and optimise supply chain efficiency, and aim to become a cross-border supply chain and diversified import and export service provider.

Business of the Group is expected to continue the upward trend for the year 2026 according to the progress of key construction projects and the growth of the new trading business. Furthermore, it is hopeful that as effects of economic policies set in, the real estate and construction market overall will continue to pick up and bring about further growth opportunities to the Group.

Overall, while the Group noted signs of recovery in the construction market in the PRC and Hong Kong, competition remained fierce. We shall continue the current strategy of expansion into overseas market, while simultaneously be vigilant of local projects with reasonable profit margin. Furthermore, we endeavour to safeguard the Group's liquidity exposure and shall steer clear of cut-throat competition and exert further effort on recovery of receivables. At the same time, we shall dedicate utmost effort to expand our newly established trading business from all aspects, including personnel expertise, range of products offering, logistic solution, supply source and sales network.

Management Discussion and Analysis (continued)

Financial Review

Revenue

The Group recorded revenue of HK\$1,880.2 million for FY2025, representing an increase of approximately 15% from the year ended 31 December 2024 (“FY2024” or “Previous Year”), as the general construction contracting segment and the marine construction works segment both recorded improvement in business, particularly with revenue from overseas projects, and revenue contribution from the new trading business segment.

Please refer to Business Review section of this report for further discussion on the performance of the Group’s business segments.

Cost of sales and gross profit

The increase in cost of sales for FY2025 is driven by and largely consistent with revenue growth, except contract costs amounting to approximately HK\$22.3 million related to a previously completed marine construction project was charged to cost of sales with no corresponding income during FY2025 as a result of unfavourable outcome in the conclusion of final account.

Provision for impairment losses on financial assets

The Group adopted a systematic approach in assessing the overall risk of default on its financial assets. Owing to uncertain economic conditions and outlooks in the real estate market, the Group adopted a relatively more conservative approach and higher default risk in assessment of impairment of its financial assets for the FY2025.

Based on aforesaid assessment, a provision for impairment losses of HK\$75.6 million was recorded for the FY2025. The provision for impairment losses is estimation in nature and may be written back in future years upon realisation of underlying assets into cash and does not prejudice the Group’s rights and position in respect of such assets.

Research and development expenses

Research and development expenses remained stable at HK\$20.6 million for the FY2025 and are related to the research and development of curtain wall engineering and construction technology.

Other administrative expenses

Other administrative expenses mainly comprised of staff costs, depreciation and amortisation and professional fees. Other administrative expenses decreased by HK\$25.2 million to HK\$104.4 million for the FY2025 mainly as a result of decrease in administrative staff cost by HK\$7.3 million, decrease in professional fees by HK\$6.4 million and decrease in leases expenses by HK\$3.1 million.

Operating loss, finance costs and loss before tax

Albeit the improvement in revenue, gross profit margin and gross profit, the Group continued to record an operating loss for FY2025, which was mainly attributable to further provision of HK\$75.6 million made for potential impairment losses on the Group’s financial assets.

Net finance costs increased by HK\$24.1 million or approximately 29.1% to HK\$107.0 million for FY2025 as the Group continues to rely on relatively high level of external financing to support its operation, including the further issuance of corporate bonds in FY2025.

Overall, the Group’s gross profit from operation remained insufficient to cover administrative expenses, provision of impairment of assets, and finance cost, leading to a continuous loss before tax for FY2025.

Management Discussion and Analysis (continued)

Property, plant and equipment

As at 31 December 2025, the Group owned a total of 34 units of marine vessels, other construction machinery and equipment and an office building in Qingdao, PRC.

The Group disposed of 6 units of vessels, which had remained idle and were in relative unfavourable work condition, with carrying value of HK\$11.8 million during FY2025.

Investment properties

The Group acquired approximately HK\$41.9 million of investment properties during FY2025, which comprised 9 units of commercial properties and 2 units of residential properties in Qingdao, PRC that were taken over in settlement of past due trade receivables from customers. The properties are being held for rental and possibly for sale, should prices be determined to be favourable.

Trade, retention and notes receivables and amounts due from fellow subsidiaries

The Group's trade, retention and notes receivables increased by approximately HK\$703.6 million to HK\$1,967.9 million as at 31 December 2025, of which approximately HK\$137.9 million pertained to the marine construction segment while approximately HK\$1,830.0 million pertained to the general construction contracting segment.

The Group's amounts due from fellow subsidiaries decreased by approximately HK\$145.6 million to HK\$1,058.6 million as at 31 December 2025 and pertained to the general construction business segment which comprised of receivables for works on projects pending settlement by the fellow subsidiaries.

Contract assets/liabilities

Contract assets represent amounts due from customers for contract works performed which had not been billed as at the end of the year. The balance of contract assets as at 31 December 2025 for the marine construction and general construction contracting was approximately HK\$173.1 million and HK\$1,237.9 million respectively.

Contract liabilities as at 31 December 2025 and 2024 represent amounts due to contract customers for payment received in excess of revenue recognisable by the Group according to the progress achieved.

Liquidity, Capital Structure and Gearing

The Group recorded a net current liability balance of HK\$194.8 million and net debt position of HK\$1,778.8 million as 31 December 2025 (31 December 2024: net current asset of HK\$218.8 million and net debt of HK\$1,571.0 million). The Group's gearing ratio (calculated by dividing total debts by total equity) as at 31 December 2025 increased to 1,205.0% as compared to the Previous Year (31 December 2024: 616.6%).

Management Discussion and Analysis (continued)

The profile of the Group's borrowings are as below.

Based on the scheduled repayment terms set out in the loan agreements, the maturity of borrowings would be as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	1,579,048	1,285,569
Between 1 year and 2 years	97,636	248,999
Between 2 years and 5 years	32,230	101,099
Over 5 years	22,228	75,558
	1,731,142	1,711,225

The weighted average interest rate of the Group's borrowings during FY2025 were as follows:

	2025	2024
Short-term bank loans	4.1%	4.7%
Long-term bank loans	4.6%	4.6%

Further details of the Group's loans and borrowings are set out in note 30 to the consolidated financial statements.

Foreign Exchange

Operations of the Group was mainly conducted in Chinese Renminbi ("RMB"), Hong Kong dollars ("HK\$"), Macao Patacas ("MOP"), United States dollars ("US\$") (together, the "Major Currencies") and Indonesian Rupiahs ("IDR"). The Group did not adopt any hedging policy and the Directors consider that the exposure to foreign exchange risks can be mitigated by using the Major Currencies (i) as principal currencies in the Group's contracts with customers; and (ii) to settle payments with its suppliers and operating expenses where possible.

Capital Expenditures

The Group generally finances its capital expenditures by cash flows generated from its operation and long-term bank borrowings. During FY2025, the Group acquired HK\$41.9 million of investment properties as settlement against past due receivables with its customers; the acquisition of investment properties did not involve direct cash outflows from the Group.

The Group also acquired HK\$9.3 million of machinery and equipment during FY2025 for its operation needs.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the FY2025.

Management Discussion and Analysis (continued)

Significant Investments Held

The Group had not held any significant investments during the FY2025.

Charges on Assets

As at 31 December 2025, deposits of HK\$113.0 million (2024: HK\$116.2 million) and properties, plant and equipment with carrying amounts of HK\$97.3 million (2024: HK\$75.6 million) were pledged to secure for the Group's bank borrowings.

Contingent Liabilities

Save for the disclosure set out in note 33 to the consolidated financial statements, the Group has no material contingent liabilities.

Relationships with Employees, Customers and Suppliers

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees and remuneration policies

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and its workers are provided with regular training courses on operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The number of staff of the Group by functions as at 31 December 2025 and 2024 are as follows:

	As at 31 December	
	2025	2024
Management and administration	100	51
Accounting and finance	22	19
Human resources	7	11
Project management	66	85
Project execution	310	401
	505	567

Management Discussion and Analysis (continued)

The total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the FY2025 was approximately HK\$123.5 million (FY2024: HK\$127.2 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

Customers and suppliers

The executive Directors and the Group's management team maintain frequent contact with both public and private sector participants in the construction industry in Hong Kong, Macao and overseas to keep abreast of market developments and potential business opportunities. Having been in operation in Hong Kong since 2001, and with the prior experience of the Group's senior management members in managing similar projects overseas, the Group has developed a good reputation in the construction industry. With the Group's experience in working with PRC state-owned construction enterprises and their branch offices in Hong Kong and overseas, the Group has up-to-date information regarding new business opportunities in infrastructure projects to be undertaken or tendered by such construction enterprises in Hong Kong, Macao and Southeast Asia. The Directors believe that the Group has maintained and will be able to continue to maintain good relationships with customers, potential customers, suppliers, subcontractors and other parties involved in the business. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

Management Discussion and Analysis (continued)

Dividend

The board of Directors do not recommend payment of a dividend for the FY2025.

Environmental Policies

The Group is committed to environment conservation when undertaking its operation and has implemented various systems and measures to minimise the possibility of pollution and to preserve the marine ecological environment, which include but are not limited to the following:

- (i) identifying environmental protection requirements in project tender documents and assessing whether the Group has the capability to meet such requirements;
- (ii) taking into consideration the environmental impacts in project planning and the design of work method statements;
- (iii) equipping all of the Group's vessels with fuel leakage defence equipment for suppressing the spread of floating fuel spills in case of leakage;
- (iv) installing facilities as required to prevent contamination, such as silt curtains to prevent sediment pollution when carrying out land reclamation works and underwater bubble curtains to act as a noise barriers to reduce noise level from marine piling works; and
- (v) sorting excavated materials from dredging and excavation works for recycling use or disposal, and in case of contaminated sediment, disposing of the excavated materials at designated dumping area according to the relevant regulations.

The Group is accredited with ISO14001 and follows the procedures and requirements of the environmental management system in its operation. There had been no sanctions or penalties imposed on the Group for violation of any environmental laws or regulations during the FY2025.

Principal Risk and Uncertainty

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of marine construction projects. Furthermore, the Group's ability to successfully bid for or execute projects is dependent on its ability to devise effective and efficient work methods and the availability of vessels and equipment. The Group's operation at overseas locations is susceptible to potential political unrests, changes in business, foreign investment, taxation and currency control regulations at such jurisdictions.

Significant Events After the Financial Year

No significant event has occurred after 31 December 2025 and up to the date of this report which would have a material effect on the Group.

Corporate Governance Report

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintain a high standard of corporate governance and considers that conducting business in an ethical and responsible manner will generate the highest level of benefits to its shareholders and the Group in the long term. The Board will continuously review and improve the Group's corporate governance practices in order to uphold a transparent and effective corporate governance function for the Group.

The Company has adopted the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and has complied with the code provisions throughout the FY2025.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules (the "Model Code") and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code throughout the FY2025.

The Company has also established guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company and there is no incident of non-compliance with such guidelines by the relevant employees throughout the FY2025.

Board of Directors

The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management function. In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively in the best interests of the Company and its shareholders. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team.

Corporate Governance Report (continued)

The composition of the Board as at 31 December 2025 and the length of tenure of each Director is as below.

	Appointed	Approximate tenure duration up to 31 December 2025	Last re-elected	Subject to retirement by
Executive Directors				
Mr. Jiang Hongchang (<i>Chairman</i>)	28 June 2022	3.5 years	26 June 2025	2028 annual general meeting
Mr. Liu Yutao (<i>Chief Executive Officer</i>)	28 June 2022	3.5 years	26 June 2024	2027 annual general meeting
Mr. Du Jianzhi	27 June 2023	2.5 years	26 June 2025	Resigned on 31 March 2026
Mr. Zhou Hongbao (<i>Chief Operating Officer</i>)	10 January 2025	1 year	26 June 2025	2028 annual general meeting
Mr. Li Chunxiao	3 April 2025	9 months	26 June 2025	2028 annual general meeting
Independent Non-executive Directors				
Mr. Cheung Chi Man Dennis	8 August 2017	8.5 years	27 June 2023	2026 annual general meeting
Ms. Chen Yan	20 December 2023	2 years	26 June 2024	2027 annual general meeting
Mr. Liu Junchun	15 August 2024	1.5 years	26 June 2025	2028 annual general meeting

Corporate Governance Report (continued)

The attendance record of each Director at board meetings and general meetings held during the FY2025 are set out below.

	Attendance/ Board meetings held	Attendance/ General meetings held	Independent Board committee meetings
Executive Directors			
Mr. Jiang Hongchang (<i>Chairman</i>)	9/12	1/2	N/A
Mr. Liu Yutao (<i>Chief Executive Officer</i>)	8/12	2/2	N/A
Mr. Zhou Hongbao (<i>Chief Operating Officer</i>) (<i>Appointed on 10 January 2025</i>)	9/10	2/2	N/A
Mr. Li Chunxiao (<i>Appointed on 3 April 2025</i>)	7/7	2/2	N/A
Mr. Ni Chuchen (<i>Resigned on 28 March 2025</i>)	3/3	0/0	N/A
Ms. Dong Fang (<i>Retired on 26 June 2025</i>)	7/7	0/1	N/A
Mr. Du Jianzhi (<i>Resigned on 31 March 2026</i>)	12/12	2/2	N/A
Independent Non-executive Directors			
Mr. Cheung Chi Man	11/12	2/2	1/1
Ms. Chen Yan	11/12	1/2	1/1
Mr. Liu Junchun	12/12	2/2	1/1

Biographic details of and the relationship amongst the Directors are presented in the “Directors and Senior Management” section of this annual report. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, while each of the independent non-executive Directors has been appointed for an initial term of one year except Mr. Cheung Chi Man Dennis, who has been appointed for an initial term of two years. Notwithstanding the specific term of appointment, provisions of the Company’s articles of association require that every Director is subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company.

Mr. Zhou Hongbao was newly appointed as an executive Director and chief operating officer effective from 10 January 2026. Mr. Zhou has obtained legal advice as referred to in Rule 3.09D of the Listing Rules on 8 January 2026 and confirmed he understood his obligations as a Director.

Mr. Li Chunxiao was newly appointed as an executive Director effective from 3 April 2026. Mr. Li has obtained legal advice as referred to in Rule 3.09D of the Listing Rules on 28 March 2026 and confirmed he understood his obligations as a Director.

Corporate Governance Report (continued)

Each of the Directors has participated in continuous professional development during FY2025, the details of which are as below.

	Structured training with external training provider		Training by self-study	
	Topics covered	Hours	Topics covered	Hours
Mr. Jiang Hongchang	I, II	1.5		
Mr. Liu Yutao	I, II	1.5		
Mr. Du Jianzhi	I, II	1.5		
Mr. Zhou Hongbao	I, II	2.5		
Mr. Li Chunxiao	I, II	2.5		
Mr. Cheung Chi Man Dennis	I, II	1.5	I, II, IV, V	24.0
Ms. Chen Yan	I, II	1.5	I, II	17.0
Mr. Liu Junchun	I, II	2.5		

Topic categories:

I: Board and directors' duties

II: Listing Rules and Hong Kong law compliance

III: Corporate governance and ESG

IV: Risk management and internal control

V: Industry and business updates

The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers that each of them to be independent by reference to the Rule 3.13 of the Listing Rules.

Corporate Governance Report (continued)

Board Committee

As an integral part of good corporate governance, the Board has established five committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The key works performed by the committees during the FY2025 are as follows:

- developed and reviewed the Company's policies and practices on corporate governance and make recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management of the Group;
- monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- considered the salary adjustment for Directors and senior management and assessment of overall remuneration policy of the Group;
- considered the suitability of auditor re-appointment and engagement of auditor for non-audit services;
- reviewed the Company's compliance with CG Code and disclosure in the corporate governance report;
- considered the appointment, retirement and re-election of Directors; and
- reviewed incident of non-compliance associated with certain acquisition transaction and implementation of enhanced internal control measures.

The composition of each committee and attendance of members at committee meeting held during the FY2025 are as follow.

Composition of Board committees	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Strategy and Investment Committee
	Attendance/Number of meetings held (C=Chairman; M=Member of the committee)				
Independent Non-executive Directors					
Mr. Cheung Chi Man Dennis	2/2 (C)	2/2 (M)	3/3 (M)	1/1 (M)	0/0 (M)
Ms. Chen Yan	1/2 (M)	2/2 (C)	3/3 (M)	1/1 (M)	0/0 (M)
Mr. Liu Junchun	2/2 (M)	2/2 (M)	3/3 (M)	1/1 (M)	0/0 (M)
Executive Directors					
Mr. Jiang Hongchang	N/A	2/2 (M)	3/3 (C)	1/1 (C)	0/0 (C)
Mr. Ni Chuchen (Resigned on 28 March 2025)	N/A	1/1 (M)	2/2 (M)	N/A	0/0 (M)
Mr. Du Jianzhi (Resigned on 31 March 2026)	N/A	N/A	N/A	1/1 (M)	N/A
Mr. Liu Yutao	N/A	2/2 (M)	3/3 (M)	1/1 (M)	0/0 (M)

Corporate Governance Report (continued)

Audit committee

The audit committee is primarily responsible for the engagement of the auditor, review of financial information, overseeing the financial reporting system, risk management and internal control systems. Members of the audit committee also provided their advice to the Board on continuing connected transactions entered into during the FY2025. The audit committee has met with the Company's management to review its interim and final consolidated financial statements for the FY2025 and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters, results of audit and review on continuing connected transactions for the FY2025. The audit committee also review an non-compliance incident during FY2025 which involved the take over of properties in settlement of over due receivables and provided advice on enhancement of internal control procedures on potential notifiable transactions. The audit committee has met with the chairman of the Board and the auditor, separately and without the presence of management, for discussion of matters which may be of sensitive nature. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

Nomination committee

The nomination committee is responsible for reviewing the structure, size and composition of the Board, assist the Board in maintaining a board skills matrix, identifying suitably qualified individuals to become Board members, assessing the independence of independent non-executive Directors, making recommendations to the Board on the appointment or reappointment of Directors and assessing the diversity of Directors. The nomination committee will also support the regular evaluation of the performance of the Board and regularly review and assess the time commitment and contribution to the Board's affairs by each Director and each Director's ability to discharge responsibilities effectively.

The Company has a policy on diversity of Directors to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. In determining the Board's composition and selection of candidates to the Board, the nomination committee will consider factors including but not limited to gender, age, cultural and education background, or professional experience. It will also ensure that the Board shall comprise members with the following attributes in order to achieve a sufficient balance of knowledge and perspectives in discharging the Board's duties:

- management skills and experience;
- industry specific knowledge and experience relevant to the Group;
- financial management skills and experience; and
- legal and compliance expertise.

The Company does not discriminate on the basis of gender, age and other personal backgrounds in assessing the suitability of candidates for appointment to the Board. The Board also acknowledges stakeholders' expectation and international best practices calling for gender parity and accordingly, the nomination committee will give favourable consideration to gender minority in the selection of candidates amongst those who are equally competent and possess the desired attributes to enhance gender balance of the Board over time.

The procedures to nominate candidates for election as Directors are set out in the section headed "Shareholders' Rights and Investor Relations" below.

Corporate Governance Report (continued)

The nomination committee has reviewed the independence of independent non-executive Directors, considered the retirement and proposal for appointment of Directors at the Company's annual general meeting, and considered the proposed appointment of new Directors to fill up vacancies on the Board during the FY2025. The nomination committee also reviewed and took the view that the Board comprises members with suitable qualifications and diversity for leading and governing the Group.

In relation to gender diversity, the Company has dispensed with a single-gender Board since 2023 and fulfilled the requirement of the Listing Rules and will aim to attain greater gender balance in the coming few years. The nomination committee will also review gender composition of the Company's senior management and general staff, by reference to industrial and demographic statistics etc., on an annual basis and determine the appropriate procedures to take to enhance gender diversity in the workforce as required. The composition of the Group's workforce by gender and by function as at 31 December 2025 is as follows.

	Headcount and proportion	
	Male	Female
Management and administration	67 (67%)	33 (33%)
Accounting and finance	6 (27%)	16 (73%)
Human resources	0 (0%)	7 (100%)
Project management	61 (92%)	5 (8%)
Project execution	279 (90%)	31 (10%)
	413 (82%)	92 (18%)

The nomination committee considered that, except for front line position in project management and execution, there no significant gender imbalance in the Group's workforce. The predominantly male gender in project management and execution function is considered normal having regards to the nature of their job duties and work environment.

Remuneration committee

The responsibilities of the remuneration committee are to make recommendations to the Board on policy and structure for Directors' and senior management's remuneration, to make recommendations to the Board on the remuneration of executive and non-executive Directors, and to ensure that no Director is involved in deciding his own remuneration. During the FY2025, the remuneration committee has assessed the performance of the Directors, reviewed the remuneration of the Directors in general, considered special adjustment in salary of specific Directors and senior management staff, considered the remuneration of the newly appointed Directors, reviewed the Group's policy on performance assessment of Directors and made recommendations to the Board thereon.

Strategy and investment committee

The strategy and investment committee is responsible for reviewing and evaluating the Group's development plan and strategy, reviewing and making recommendation to the Board on key investment proposals, and evaluating the Group's risk exposure from investment projects as a whole. The Group did not have any investment or acquisition plan and the committee had not held any meeting during the FY2025.

Corporate Governance Report (continued)

Risk management committee

The primary duties of the risk management committee are to oversee the Group's risk management and internal control systems, to review risk reports and any material breaches of risk limits, and to review the effectiveness of the Group's risk management system. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Company's strategic objectives.

The risk management committee supports the Board in ensuring the effectiveness of the risk management and internal control of the Group and reports to the Board on any material issues identified. The Group adopted a manual of policies and procedures to provide guidance on compliance with internal control and risk management in various operational and management functions, including but not limited to project tendering, procurement, financial reporting, treasury and risk management etc.

The Company has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. The Company has engaged an external independent consultant to conduct a review on the internal control system of the Group during the FY2025 and to report their findings to the risk management committee and the Board. The review scope for the FY2025 covered general management and control review, risk management function, sales cycle, management accounting function and financial reporting function.

Based on the review conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During FY2025, a non-compliance incident occurred which involved the takeover of certain properties in settlement of past due receivable balances from customers. Following the incident, members of the risk management committee reviewed the new internal control procedures to be adopted by the Group to identify and control potential notifiable transaction and believed such procedures would be sufficient to prevent non-compliance in the future.

Auditor's Remuneration

The remuneration paid to the Company's auditor for the FY2025 is set out below.

HK\$

Audit services provided to the Group	2,200,000
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Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibility for the preparation of consolidated financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 37 to 44 of this annual report. Except for the matter set out in note 2.2 to the consolidated financial statements, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Company Secretary

The Company's company secretary is Mr. Lee Baldwin, who is an external service provider and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Zhou Hongbao, executive Director, is the Company's primary contact person with Mr. Lee.

The company secretary is responsible for coordinating the supply of information about the Group to the Directors. All Directors have access to the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

Shareholders' Rights and Investor Relations

One or more shareholders holding not less than 10% of the paid up capital of the Company may convene an extraordinary general meeting by making a requisition in writing, specifying any business for transaction at such meeting, to the Directors or the company secretary.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at Rooms 03-08, 24/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong) at least seven clear days before the date of the general meeting.

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.prosperch.com to disseminate latest information about the Group. The Company's constitution document and terms of reference of board committees are also available for download at Company's website. There has been no change in the Company's constitution document during FY2025. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders. At an extraordinary general meeting held during FY2025, resolution put forward was voted down by shareholders. In response thereto, the Company will enhance investor communication by designating channel for investors to lodge inquiries, publishing business updates to keep public informed of the Group's key development, and proactively approach specific group of shareholders to assimilate any concerns prior to general meetings. Details of investor communication channel are published on the Company's website at www.prosperch.com.

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company at our principal place of business in Hong Kong at Rooms 03-08, 24/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

Principal Activities

The principal activity of the Company is investment holdings. The principal activities of the Group are the provision of marine construction services, auxiliary marine related services, general construction contracting services and trading. The principal activities of the subsidiaries of the Company are set out in note 14 to the consolidated financial statements. The segment information of the operations of the Group for the year ended 31 December 2025 is set out in note 5 to the consolidated financial statements.

Business Review

A review on the Group's business for the year ended 31 December 2025 is set out under the section headed "Management Discussion and Analysis" of this annual report.

Results

The Group's results for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on page 45 and 46 of this annual report, respectively.

Dividend Policy and Dividends

The Directors acknowledge the importance of stakeholders' engagement and would contemplate at least two times a year (prior to the announcement of annual and interim results) on the distribution of a dividend. While the Directors endeavour to share the Group's results with shareholders by way of a dividend, the portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's actual and expected operating results and conditions, gearing level, general financial condition, availability of cash, future plans and funding needs for expansion.

The Directors do not recommended the payment of a dividend for the year ended 31 December 2025.

As at the date of this annual report, the Board was not aware of any shareholders who had waived or agreed to waive any dividends.

Summary Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 134 of this annual report. Such summary does not form part of the audited consolidated financial statements.

Share Capital

Details of movement in the Company's share capital during the year ended 31 December 2025 are set out in note 27(a) to the consolidated financial statements.

Reserves

Details of movement in the Group's and the Company's reserves during the year ended 31 December 2025 are set out in the consolidated statement of changes in equity on page 49 of this annual report and note 39(b) to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK\$66.8 million as at 31 December 2025.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 22 June 2016.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. It is expected that grantees of an option will make an effort to contribute to the Group's development so as to bring about an increased market price of the Company's shares in order to capitalise on the benefits of the options granted. The Board may, at its absolute discretion, grant options pursuant to the Share Option Scheme to any directors or employees of the Company or its subsidiaries and any other persons (including customer, supplier, adviser or consultant of the Group) on the basis of the Board's opinion as to the grantee's contribution to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 80,000,000 shares (being 10% of the shares in issue on 20 July 2016 when the shares of the Company first commenced dealing on the Stock Exchange) (the "General Scheme Limit"). The Company may seek approval of the shareholders in a general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit.

Directors' Report (continued)

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option and may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but such period shall end in any event not later than 10 years from the date of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The subscription price for shares under the Share Option Scheme will be a price determined by the Board, but shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The Share Option Scheme will remain in force for a period of 10 years from the date of adoption.

No options were granted, vested, exercised, lapsed, nor cancelled since adoption of the Share Option Scheme and during the year ended 31 December 2025. The number of options available for grant as at 1 January 2025 and 31 December 2025 was 80,000,000 and 80,000,000 respectively.

The total number of shares available for issue under the Share Option Scheme as at the date of this report was 80,000,000 shares, representing 10% of the issued shares of the Company.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Tax Relief and Exemption

The Company is not aware any holder of securities of the Company is entitled to any tax relief or exemption by reason of their holdings of such securities.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2025.

Directors

The Directors of the Company during the year ended 31 December 2025 and up to the date of this report are as follows:

Executive Directors

Mr. Jiang Hongchang (*Chairman*)

Mr. Liu Yutao (*Chief Executive Officer*)

Mr. Zhou Hongbao (*Chief Operating Officer*) (*Appointed on 10 January 2025*)

Mr. Li Chunxiao (*Appointed on 3 April 2025*)

Mr. Cui Qiang (*Appointed on 31 March 2026*)

Ms. Dong Fang (*Deputy Chairman*) (*Retired on 26 June 2025*)

Mr. Ni Chuchen (*Resigned on 28 March 2025*)

Mr. Du Jianzhi (*Resigned on 31 March 2026*)

Independent Non-executive Directors

Mr. Cheung Chi Man Dennis

Ms. Chen Yan

Mr. Liu Junchun

In accordance with applicable provisions of the Company's articles of association, Mr. Cheung Chi Man Dennis, Mr. Liu Yutao, Ms. Chen Yan, and Mr. Cui Qiang will retire at the Company's forthcoming annual general meeting. All the retiring Directors are eligible and have offered themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual meeting has a service contract with the Company or any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025.

Directors Interests in Transactions, Arrangements or Contracts

Except as disclosed elsewhere in this annual report, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contracts or arrangements in which any of the Directors was materially interested and which was significant in relation to the Group's business as a whole.

Directors' Report (continued)

Disclosure of Interests

As at 31 December 2025, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

So far as the Directors are aware, as at 31 December 2025, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interests in the Company

Shareholder	Number of shares/ Position	Percentage of shareholding	Capacity
Qingdao West Coast Holdings (Internation) Limited	498,000,000 Long position	62.25%	Beneficial owner
Qingdao Haifa Assets Investment Holding Limited* 青島海發產業投資控股有限公司 ^(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* 青島海發國有資本投資運營集團有限公司 ^(Note 1)	498,000,000 Long position	62.25%	Interest of a controlled corporation
Qingdao State-owned Assets Supervision and Administration Commission	498,000,000 Long position	62.25%	Interest of a controlled corporation
Herofield Limited ^(Note 2)	61,200,000 Long position	7.65%	Interest of a controlled corporation
Mr. Cui Qi ^(Note 2)	61,200,000 Long position	7.65%	Interest of a controlled corporation
Ms. Mu Zhen ^(Note 3)	61,200,000 Long position	7.65%	Interest of spouse

Notes:

1. Each of these entities was wholly owned and controlled by the Qingdao State-owned Assets Supervision and Administration Commission and was deemed under the SFO to be interested in all the Share which are directly and beneficially owned by Qingdao West Coast Holdings (Internation) Limited.
2. Mr. Cui Qi is deemed or taken to be interested in all the Shares which are beneficially owned by Herofield Limited under the SFO, which is wholly-owned and controlled by Mr. Cui Qi.
3. Ms. Mu Zhen is the spouse of Mr. Cui Qi and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui Qi under the SFO.

* For identification purpose only

Major Customers and Suppliers

During the year ended 31 December 2025, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 31.6% (2024: 23.1%) and 7.9% (2024: 6.3%) of the Group's total turnover, respectively.

During the year ended 31 December 2025, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 10.2% (2024: 11.6%) and 2.7% (2024: 2.6%) of the Group's total cost of sales, respectively.

To the best of the knowledge of the Directors, none of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major customers or suppliers.

Related Party Transactions

Related party transactions entered into by the Group during the year ended 31 December 2025 are disclosed in note 37 to the consolidated financial statements, where (i) information disclosed in notes 37(c) and 37(d) to the consolidated financial statements did not constitute connected transactions of the Company requiring disclosure under Chapter 14A of the Listing Rules; and (ii) note 37(b) to the consolidated financial statement contained all connected transactions of the Company under Chapter 14A of the Listing Rules for which relevant requirements have been complied, details of which are set out in the section headed "Continuing Connected Transactions" below.

Continuing Connected Transactions

During the year ended 31 December 2025, the Group had carried out the following non-exempt continuing connected transactions.

Directors' Report (continued)

Construction services framework agreement

The Group entered into a construction services framework agreement (“Construction Services Framework Agreement”) with Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* (青島海發國有資本投資運營集團有限公司) (Previously known as Qingdao West Coast Development (Group) Limited*) (“Qingdao Haifa Group Co.”, together with its subsidiaries and/or affiliated companies, the “Haifa Group”) on 16 November 2023 for the provision of construction services by the Group to the Haifa Group. Particulars of the Construction Services Framework Agreement are set out below.

Date:

16 November 2023

Term:

From 1 January 2024 to 31 December 2026 (both dates inclusive)

Parties:

- (i) Qingdao Haifa Group Co. (as owner)
- (ii) West Coast Development (Hong Kong) Limited (“West Coast Development HK”) (for and on behalf of the Group)

Connected relationship:

Qingdao Haifa Group Co. is a controlling shareholder and the ultimate holding company of the Company holding 62.25% of the Company’s issued shares.

West Coast Development HK is a wholly owned subsidiary of the Company.

Transaction:

The Group has agreed to provide construction services to the Haifa Group and may therefore participate in bidding for construction projects of the Haifa Group in the PRC from time to time.

If any tenders submitted by the Group have been awarded in accordance with the bidding procedures of the Haifa Group, the Group shall enter into individual construction contracts (the “Individual Contracts”) with the Haifa Group for the provision of construction services by the Group as the contractor subject to terms and conditions of the Construction Services Framework Agreement at fair and reasonable market prices and subject to the requirements under the Listing Rules. The contract sum payable under each of the Individual Contracts will be determined through an open tender process to ensure that the price and terms of the tender submitted by the Group are on normal commercial terms and no less favourable to the Group than those submitted to independent third parties, or the market prices or benchmarks for transactions of similar nature.

Reasons for the transaction:

The Group has expanded its operation into the construction industry in the PRC since year 2020 with the acquisition of Dongjie Construction, which possesses the necessary qualifications and/or licenses to engage in construction projects in the PRC, as part of its strategy to diversify its business. The Group further acquired 34% equity interest in and control over the board of Honghai Curtain Wall in 2021 which served to enhance the Group’s service offerings and competitiveness in its general construction contracting business. The Haifa Group is principally engaged in infrastructure construction, land development, real estate development and other industrial investment and operations (including cultural, tourism and financial services).

* For identification purpose only

By entering into the Construction Services Framework Agreement and subsequently acting as a contractor for successful bids, the Group aims to consolidate and strengthen its construction business in the PRC. By collaborating with the Haifa Group, the Group is expanding its business portfolio, enhancing its market competitiveness and overall presence in the dynamic construction landscape of the PRC.

The annual caps under the Construction Services Framework Agreement were determined with reference to the estimated revenue to be derived from Individual Contracts that have been entered into, and that may be entered into between the Group and the Haifa Group during the period from 1 January 2024 to 31 December 2026, which included:

- (i) 36 Individual Contracts already entered into between the Group and the Haifa Group at the time;
- (ii) five projects with the Haifa Group which the Group were in processing of bidding for within the year 2023; and
- (iii) expected increase in potential projects from the Haifa Group which might be awarded to the Group during the three years ending 31 December 2026.

Annual cap:

Year ending 31 December 2024: RMB1,200,000,000

Year ending 31 December 2025: RMB1,500,000,000

Year ending 31 December 2026: RMB1,800,000,000

Actual transaction amount:

Year ended 31 December 2024: RMB315,781,000

Year ended 31 December 2025: RMB250,789,000

Engineering services framework agreement

The Group entered into an engineering services framework agreement (“Engineering Services Framework Agreement”) with Big Data Company (as defined further below) on 8 May 2025, pursuant to which Big Data Company agreed to provide software development and construction automation engineering project services to Dongjie Construction. Particulars of the Engineering Services Framework Agreement are set out below.

Date:

8 May 2025

Terms:

From 1 January 2025 to 31 December 2025 (both dates inclusive)

Parties:

- (i) Dongjie Construction
- (ii) Qingdao Big Data Technology Development Group Co., Ltd.* (青島大數據科技發展有限公司) (“Big Data Company”), a company established in the PRC with limited liability

Directors' Report (continued)

Connected relationship:

Dongjie Construction is a non-wholly owned subsidiary of the Company.

Big Data Company is a controlled subsidiary of Qingdao Haifa Group Co., a controlling shareholder and ultimate holding company of the Company.

Transaction:

Big Data Company and its subsidiaries (collectively referred to as the "Big Data Group") will provide software development and construction automation engineering project services to Dongjie Construction and its subsidiaries (collectively referred to as the "Dongjie Group"), including but not limited to the software development for construction project industry platform, and intelligent engineering project services for constructions such as parks, communities, hospitals, hotels and office buildings. The pricing of the services for each project under the Engineering Services Framework Agreement shall be determined with reference to the market price or, in the absence of such market price, the agreed price which is fair and reasonable. The Big Data Group may be selected as the project service provider through a tender or quotation process in accordance with the normal procedures, based on the design, equipment, quality standards and construction requirements of individual projects.

Reasons for the transaction:

The Dongjie Group is in the general construction contracting business and the Big Data Group is engaged in supply chain management services, engineering management services, software development services, sales of building materials and other businesses. The expertise of the Big Data Group in the aspects of engineering management service and software development service is aligned with the Dongjie Group and, on the basis of fair market prices, the selection of the Big Data Group as the project subcontractor is able to provide convenient, high-quality, high-efficiency, and cost-effective engineering services to Dongjie Group which are of great benefit to improving the market competitiveness and profitability of both parties.

Annual cap:

Year ending 31 December 2025: RMB9,270,000

Actual transaction amount:

Year ended 31 December 2025: RMB1,298,000

Products sale and purchase framework agreement

The Group entered into a product sale and purchase framework agreement ("Product Sale and Purchase Framework Agreement") with Shenzhen Defu Supply Chain Co., Ltd.* (深圳市德孚供應鏈有限責任公司) ("Shenzhen Defu") on 17 April 2025, pursuant to which Shui Fung Trading Limited ("Shui Fung Trading"), a subsidiary of the Company, agreed (as a part of its trading operation) to purchase branded consumer electron products from Shenzhen Defu. Particulars of the Product Sale and Purchase Framework Agreement are set out below.

Date:

17 April 2025

* For identification purpose only

Terms:

From 1 January 2025 to 31 December 2025 (both dates inclusive)

Parties:

- (i) Shui Fung Trading;
- (ii) Shenzhen Defu, a company established in the PRC with limited liability

Connected Relationship:

Shui Fung Trading is a wholly owned subsidiary of the Company.

Shenzhen Defu is a controlled non-wholly owned subsidiary of Qingdao Haifa Group Co., a controlling shareholder and the ultimate holding company of the Company.

Transaction:

Shui Fung Trading and its subsidiaries (collectively referred to as the “Shui Fung Group”) will procure branded consumer electronic products from Shenzhen Defu and its subsidiaries (collectively referred to as the “Shenzhen Defu Group”). The pricing of the products under the Products Sale and Purchase Framework Agreement shall be determined with reference to the market price or, in the absence of such market price, the agreed price. As the Shenzhen Defu Group may need to go through a tendering process conducted by the Shui Fung Group in order to be selected as a products supplier, the Shenzhen Defu Group will participate in the tendering process conducted by the Shui Fung Group in accordance with the normal procedures and requirements, and will provide quotations based on the costs and expenses associated with supplying of the products. If there are insufficient comparable market transactions to judge whether it is on normal commercial terms, transaction will be conducted based on terms no less favourable than those available to the Shui Fung Group from independent third parties or those granted by the Shenzhen Defu Group to independent third parties.

Reasons for the transaction:

The Group is principally engaged in marine engineering business and general construction contracting business. In view of the uncertainty in the construction market and in order to enhance the Group’s sustainability, the Group has established Shui Fung Trading in year 2024 and recorded trading revenue since early of year 2025, and intends to further develop the international trading business in the supply chain as a new business growth focus. As Shenzhen Defu Group has been well established in the international trading business for years and possesses professional advantage in the procurement channel for branded consumer electronic products, the engagement of Shenzhen Defu Group as an upstream supplier (on fair market terms basis) is expected to provide convenient, high-quality, and efficient procurement services to Shui Fung Group, and is expected to be beneficial to the enhancement of the market competitiveness and profitability of both parties.

Annual cap:

Year ending 31 December 2025: RMB9,300,000

Actual transaction amount:

Year ended 31 December 2025: RMB8,239,000

Directors' Report (continued)

Contractual arrangements (“Contractual Arrangements”)

Background and reasons for the Contractual Arrangements: Pursuant to Indonesia law, the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%. The Group has 67% shareholding interest in a subsidiary in Indonesia, namely PT. Indonesia Engineering (“PTIR”). The remaining 33% of the shareholding interest in PTIR is held by Johannes Wargo, who is an Indonesian citizen and independent third party of the Group except for his involvement in the Contractual Arrangements.

To consolidate control over and derive the economic benefits from the remaining 33% of the shareholding interest in PTIR, the Group has, through its subsidiary Hong Kong River Engineering Company Limited (“HKR”), entered into the Contractual Arrangements with Johannes Wargo.

Risks associated with the Contractual Arrangements: In the event of change in relevant laws and regulations in Indonesia in the future, there is no assurance that the Contractual Arrangements will be considered to be in compliance with the then prevailing laws and regulations; in which case, the Contractual Arrangements may become unenforceable and the Group may be subject to potential losses.

To mitigate such risks, Johannes Wargo has irrevocably appointed HKR to act as his attorney to exercise his rights in connection with the matters concerning his rights as a shareholder of PTIR, including the rights to vote in a shareholders' meeting, sign minutes and to sell his shares. The Group also closely monitors the amount of assets being retained in Indonesia to limit the exposure to potential losses. The amount of revenue derived by the Group through the Contractual Arrangements for the year ended 31 December 2025 amounted to approximately HK\$3,230,000.

The Contractual Arrangements comprised the following documents.

1. PTIR Loan Agreements

HKR, as lender, and Johannes Wargo, as borrower, entered into a loan agreement on 5 October 2015 and an amendment and restatement of loan agreement on 5 May 2016 (collectively, the “PTIR Loan Agreements”), pursuant to which HKR agreed to provide a loan (“PTIR Loan”) in the sum of IDR1,211,496,000 to Johannes Wargo to acquire 1,320 shares in PTIR (“Johannes Shares”). The PTIR Loan was secured by the Johannes Shares pursuant to the PTIR Pledge of Shares Agreements (as defined below). The PTIR Loan has a term of 10 years and will be automatically renewed upon expiration and shall be due and payable only on demand made at any time by HKR at its sole discretion. No prepayment of the PTIR Loan in whole or in part is permitted at any time during the term of the PTIR Loan Agreements.

2. PTIR Pledge of Shares Agreements

HKR, as pledgee, and Johannes Wargo, as pledgor, entered into a pledge of shares agreement on 5 October 2015 and an amendment and restatement of pledge of shares agreement on 5 May 2016 (collectively, the “PTIR Pledge of Shares Agreements”), pursuant to which Johannes Wargo pledged the Johannes Shares in favour of HKR in order to secure the due and proper repayment of the PTIR Loan and the full performance by Johannes Wargo. Johannes Wargo also undertook not to do any act or sign any documents which may limit the rights of HKR under the PTIR Pledge of Shares Agreements or diminish the value of the Johannes Shares.

3. PTIR Power of Attorney (“PoA”) for Selling Shares

Johannes Wargo appointed HKR as his attorney on 5 October 2015 to (i) sell, assign, transfer or otherwise deal with the Johannes Shares; (ii) receive the proceeds of the sale of Johannes Shares; and (iii) represent Johannes Wargo in all matters pertaining to the sale or transfer of the Johannes Shares.

4. PTIR PoA to Vote

Johannes Wargo appointed HKR as his attorney on 5 May 2016 to (i) attend all general meetings of PTIR; (ii) exercise all voting rights with respect to the Johannes Shares; (iii) sign any shareholders resolutions; and (iv) generally exercise all rights and privileges and perform all duties which may be necessary in relation to the Johannes Shares.

5. PTIR Assignment of Dividends Agreements

Johannes Wargo, as assignor, and HKR, as assignee, entered into an assignment of rights to dividends agreement on 5 October 2015 and an amendment and restatement of assignment of rights to dividends agreement on 5 May 2016 (collectively, the “PTIR Assignment of Dividends Agreements”), pursuant to which Johannes Wargo assigned and transferred all his rights and interests in all dividends or other income paid or payable by PTIR with respect to the Johannes Shares to HKR during the term of the PTIR Loan.

During the year ended 31 December 2025, no new contract had been entered into, renewed or reproduced in relation to the Contractual Arrangements under cloned arrangement as set out in the Company’s prospectus dated 30 June 2016. The Contractual Arrangements in relation to PTIR have remained unchanged and consistent with the disclosure as set out in the aforesaid prospectus.

Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions disclosed above and confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company’s shareholders as a whole.

Furthermore, in relation to the Contractual Arrangements, the independent non-executive Directors have reviewed and confirmed that:

- (i) the transactions have been entered into in accordance with the relevant terms and conditions of the Contractual Arrangements;
- (ii) no dividends or other distributions have been made by PTIR to the holders of its remaining shareholding which are not otherwise subsequently assigned or transferred to the Group; and
- (iii) no new contracts were entered into, renewed or reproduced under any cloned arrangement as defined in the Prospectus during the year ended 31 December 2025.

Directors' Report (continued)

The Company has engaged its auditor to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided an unqualified letter to the Board containing their conclusion in relation to the continuing connected transactions for the year ended 31 December 2025 in accordance with rule 14A.56 of the Listing Rules.

The Directors confirm that the disclosure requirement in accordance with Chapter 14A of the Listing Rules has been complied with by the Company.

Permitted Indemnity Provision

Pursuant to the articles of association of the Company, the Directors are indemnified and secured harmless out of the assets of the Company against all losses and liabilities which may incur or sustain in execution of their duty, except such which they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out directors' liability insurance throughout the year ended 31 December 2025 that provides appropriate insurance cover for the Directors.

Compliance with Laws and Regulations

The operations of the Group are primarily carried out by the Company's subsidiaries in the PRC, Hong Kong, Macao, Indonesia and Malaysia. The Group's establishment and operations shall comply with relevant laws and regulations in each of the above jurisdictions. During the year ended 31 December 2025 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in each of the above jurisdictions in all material respects.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules throughout the year ended 31 December 2025 and up to the date of this report.

Auditor

The consolidated financial statements for the year ended 31 December 2025 have been audited by BDO Limited, who will retire at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-appointment. A resolution to re-appoint BDO Limited will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board of
Prosper Construction Holdings Limited

JIANG Hongchang
Chairman and Executive Director

Hong Kong, 31 March 2026

Directors and Senior Management

Executive Directors

Mr. Jiang Hongchang, aged 49, joined the Group in June 2022 and is an executive Director and the chairman of the Board. He served as chief executive officer of the Group from June 2022 until June 2024. Mr. Jiang is also a director of certain subsidiaries of the Company and the chairman of the nomination committee, risk management committee and strategy and investment committee of the Board and a member of the remuneration committee of the Board. Mr. Jiang leads the Board in formulating business strategies of the Group.

Mr. Jiang holds a bachelor's degree in civil engineering from Shandong University of Technology in the People's Republic of China and is qualified as a senior engineer. Mr. Jiang is currently a Party Committee member, deputy general manager and chief engineer of Qingdao Haifa State-owned Capital Investment and Operation Group Company Limited, the ultimate controlling shareholder of the Company. Mr. Jiang has over 25 years of experience in professional construction engineering management and served at various positions with government bureau and state-owned enterprises from 1999 to present.

Mr. Liu Yutao, aged 51, joined the Group in June 2022 and is an executive Director and a director of certain subsidiaries of the Group, including Qingdao Dongjie Construction Engineering Co. Ltd. Mr. Liu is overall in charge of the Group's general construction contracting business segment. Mr. Liu served as the chief operating officer of the Group from June 2022 until 2024 and is the chief executive officer of the Group since June 2024.

Mr. Liu holds a bachelor's degree in computer and application from China University of Petroleum in the People's Republic of China and is qualified as a senior engineer. Mr. Liu is currently the chairman of Qingdao Dongjie Construction Group Co., Ltd.* (青島東捷建設集團有限公司), the chairman and general manager of Qingdao Xifa Ruihai Industrial Development Limited* (青島西發瑞海實業發展有限公司), and a director of Qingdao Honghai Green Energy Co., Ltd.* (青島宏海綠能有限公司), both of which are subsidiaries of the Company, and is also serving as the chairman of Qingdao International Trading Co., Ltd.* (青島海發國際貿易有限公司), a subsidiary of Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd.* (青島海發國有資本投資運營集團有限公司), the ultimate controlling shareholder of the Company. Mr. Liu has over 30 years of experience in professional construction engineering management and served at various positions with state-owned enterprises and governmental office and bureau from 1996 to present.

* For identification purpose only

Directors and Senior Management (continued)

Mr. Zhou Hongbao, aged 47, joined the Company in January 2025 and is an executive Director and chief operating officer. He is also a director of certain subsidiaries of the Company.

Mr. Zhou holds a bachelor's degree in building engineering from the Shandong University of Science and Technology in the People's Republic of China. Mr. Zhou holds the qualification of senior engineer, constructor, electrical engineering constructor and registered cost engineer and holds the patent to a number of construction related new technologies. Mr. Zhou is competent in construction execution and engineering management, and has strong project management capability.

Mr. Zhou worked for Jinan First Construction Group, a state owned enterprise from July 2000 to April 2005. Mr. Zhou joined Qingdao Dongjie Construction Engineering Co. Ltd. (which subsequently became a subsidiary of the Company in 2020) in May 2005 until present, during which period he took up the positions of project manager, assistant to general manager, general manager of Guangzhou branch and took up the post of assistant to general manager of the Company since August 2024.

Mr. Li Chunxiao, aged 40, is an executive Director; he joined the Group as deputy general manager in March 2025 and was appointed as an executive in April 2025. Mr. Li graduated from the Economics & Business & Law Comprehensive Talent Education Pilot Professional Program with a bachelor's degree in business and law from the Nankai University in the People's Republic of China, and is qualified as a senior economist.

Mr. Li worked for The Third Engineering Company Limited* of the China Railway 12th Bureau Group from July 2009 to May 2012 and for Shandong Laigang Construction Company Limited* from May 2012 to December 2014. Mr. Li joined Qingdao Haifa Assets Investment Holding Limited* (an intermediate controlling shareholder of the Company) in December 2014 and have since served the positions of general manager of the General Management Department, the Strategic Development Department (Board Office), the Risk Control and Compliance Department, the Post-Investment Management Department and the Finance Management Center (currently serving), and a member of the General Party Branch Committee (currently serving). Mr. Li currently also serves as a supervisor of Qingdao West Coast Finance Development Company Limited*, Qingdao Haifa Commercial Factoring Company Limited* and Qingdao Rongfuhuijin Asset Management Company Limited*, and a director of Qingdao Haifa Small Loans Company Limited*.

Mr. Cui Qiang, aged 38, joined the Company on 31 March 2026 and is an executive Director and a member of the risk management committee of the Board. He is also the director of certain subsidiaries of the Company, including (but not limited to) Hong Kong River Engineering Company Limited, Creator Pacific Limited and Hong Kong River (Macao) Engineering Company Limited.

Mr. Cui graduated from the Qingdao University of Technology in the People's Republic of China with a bachelor's degree in engineering, and holds the qualification of class1 cost engineer, class2 constructor, and senior engineer.

Mr. Cui Qiang has over 15 years of experience in construction costing and management. Mr. Cui worked as a project leader with a Qingdao state-owned enterprise from August 2009 to April 2014; and worked as a project manager with a private entity from May 2014 to April 2017. Mr. Cui joined Qingdao Haifa State-owned Capital Investment and Operation Group Co. Ltd.* (青島海發國有資本投資運營集團有限公司), the controlling shareholder of the Company in May 2017 and took up various positions and has been the head of business centre of Qingdao Haifa Development Group Co., Ltd.* since August 2025 until now.

* For identification purpose only

Directors and Senior Management (continued)

Independent Non-executive Director

Mr. Cheung Chi Man Dennis, aged 58, is an independent non-executive Director and joined the Group in August 2017.

Mr. Cheung holds a master's degree in commerce from the University of New South Wales, Australia and a bachelor's degree in mechanical engineering from Imperial College, London, United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a certified tax adviser of The Taxation Institute of Hong Kong. Mr. Cheung has over 20 years experience in financial management, treasury and company secretarial matters and is an independent non-executive director of Sanbase Corporation Limited (Stock code: 8501), which shares are listed on GEM of the Stock Exchange, since January 2020. In the past three years, Mr. Cheung was formerly an independent non-executive director of Lamtex Holdings Limited (Stock code: 1041) from August 2020 to October 2020 and New Western Group Limited (formerly known as Megalogic Technology Holding Limited) (Stock code: 8242) from April 2015 to June 2020.

Mr. Cheung is the chairman of the audit committee and a member of the remuneration committee, nomination committee, risk management committee and strategy and investment committee of the Board.

Ms. Chen Yan, aged 51, is an independent non-executive Director and joined the Group in December 2023.

Mr. Chen graduated in accountancy from Shandong University of Finance* (山東財政學院) in 2001 and obtained a master's degree in engineering (software engineering) from Tianjin University (天津大學) in 2012 and is qualified as a senior corporate compliance officer and holds title of senior economist. Ms. Chen is experienced in corporate management, industry investment, construction, operation and technology research with state-owned enterprise and has over 20 years of management experience in financial, operation, investment and corporate compliance functions and is the associate dean of The University of Hong Kong Shenzhen Institute of Research and Innovation since February 2022. During the past three years, Ms. Chen was a deputy general manager of Global Digital Creations Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8271), from February 2021 to March 2022.

Ms. Chen is the chairman of the remuneration committee and a member of each of the audit committee, nomination committee, risk management committee and strategy and investment committee of the Board.

* For identification purpose only

Directors and Senior Management (continued)

Mr. Liu Junchun, aged 62, joined the Company in August 2024 and is an independent non-executive Director and a member of the audit committee, remuneration committee, nomination committee, risk management committee and strategy and investment committee.

Mr. Liu graduated from the East China University of Political Science and Law (international economic law department) with a bachelor of laws degree in 1986. He graduated from Peking University in 1999 with a master's degree in law.

From 1986 to 1991, Mr. Liu worked in Qingdao Foreign Economic and Trade Commission* (青島市對外經濟貿易委員會). From 1991 to 1993, he worked in the Department of Treaty and Law of the Ministry of Foreign Trade and Economic Cooperation* (外經貿部條約法律司). From 1993 to 1997, he served as the deputy director and director of the China Hainan Trade Center of the Ministry of Foreign Trade and Economic Cooperation* (外經貿部中國海南貿易中心). From 1997 to 2000, he served as the general manager of the Enterprise Management Department of the International Trade EDI Center of the Ministry of Foreign Trade and Economic Cooperation (外經貿部國際貿易EDI中心企業管理部). He joined HNA Group Company Limited* (海航集團有限公司) in 2000 and served as assistant to the president, senior assistant to the president, executive vice president and general executive vice president successively. From 2012 to 2014, he served as the vice chairman and chief executive officer of HNA Logistics Group Co., Ltd.* (海航物流集團有限公司). From 2014 to 2019, he served as the vice chairman of HNA Group (International) Company Limited* (海航集團(國際)有限公司). From 2016 to 2019, he served as non-executive director, executive director and vice chairman of the board of directors of Hong Kong International Construction Investment Management Group Co., Limited (now renamed as Tysan Holdings Limited) which is listed on the Main Board of the Stock Exchange (Stock code: 687) successively. From 2017 to July 2023, he served as a director of Hong Kong HNA Group Company Limited. From February 2023 until now, he is an independent non-executive director of CNQC International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 1240). Since 2021, he has served as the vice chairman of Rongfeng (Group) Holdings Co., Ltd.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the date of this report; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as at the date of this report; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this report.

Senior Management

Senior management of the Group comprised the executive Directors, who take a direct and active role in the management of the Group's affairs.

Save as disclosed above, each of the senior management (i) did not hold other positions in the Company or other members of the Group; and (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders.

* For identification purpose only

Independent Auditor's Report



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

TO THE SHAREHOLDERS OF PROSPER CONSTRUCTION HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Prosper Construction Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 45 to 133, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.2 to the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK\$140,292,000 for the year ended 31 December 2025 and had net current liabilities of HK\$194,816,000 as of 31 December 2025. As stated in note 2.2 to the consolidated financial statements, these conditions, along with other matters set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for construction contracts – estimated costs and profit recognition

Refer to note 4(a), note 5, note 6 and note 24 to the consolidated financial statements.

For the year ended 31 December 2025, segment results from marine construction works and general construction contracting services amounted to a segment loss of HK\$56,928,000 and a segment profit of HK\$62,318,000, respectively.

The Group applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation.

Recognition of profit on construction contracts is based on the recognised revenue and estimates of budgeted gross profit as well as the expected recovery of costs arising from additional work performed throughout the contracts, for which significant management judgement and estimates are involved.

Profit and cost recognition from construction contracts, as stated above, requires significant time and resources to audit due to the magnitude as well as the significant judgement and estimates involved.

Our response:

Our procedures in relation to management's accounting for estimated costs and profit recognition of construction contracts included:

- (i) Inspected material construction contracts of the Group for agreed contract amount and variations, if any;
- (ii) Checked the Group's efforts to the satisfaction on the Group's performance obligation by reference to the proportion of contract costs incurred for work performed to date to the estimated total construction costs of the selected contracts. We tested, on a sample basis, the revenue recognition based on the Group's efforts and the calculations of gross profit;
- (iii) Selected, on a sample basis, contracts to examine management's budget of the cost components, such as costs of materials, sub-contracting fees and labour costs. We compared the budgeted component cost to supporting documents including but not limited to invoices, price quotation and rate of labour costs. For each selected contract, we also compared cost component of the actual cost incurred up to year-end to the budgeted cost and obtained explanation from management for any material variation;

Independent Auditor's Report (continued)

- (iv) Understood the status of projects with the Group's quantity surveyors and project managers, to identify any variations of contracts and claims, and to obtain explanations for fluctuations in margins and changes in budget as well as the expected recovery of variations. Where necessary, we obtained written opinion from the Group's external legal adviser and discussed with the adviser the basis in concluding the minimum amount which would be recovered from the project. We checked relevant evidence including agreements, correspondence with customers, for corroboration of their explanations; and
- (v) Assessed the adequacy of the disclosures related to revenue recognition in the context of the applicable financial reporting framework.

Impairment assessment of trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets

Refer to note 3.1(b), note 4(b), note 22 and note 24 to the consolidated financial statements.

As at 31 December 2025, the Group had gross trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets of approximately HK\$2,141,431,000, HK\$1,060,423,000 and HK\$1,500,054,000, respectively and aggregate provision for impairment of approximately HK\$173,539,000, HK\$1,872,000 and HK\$89,098,000, respectively.

Management performed periodic assessment on the recoverability of the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets and the sufficiency of provision for impairment based on information including credit profile of customers, ageing of the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going business relationships with the relevant customers.

Expected credit losses are also estimated by grouping the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers, their geographic location and ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.

Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the fact that the impairment assessment of trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets under the expected credit losses model involved the use of significant management judgement and estimates.

Independent Auditor's Report (continued)

Our response:

Our audit procedures in relation to management's impairment assessment of the trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets included:

- (i) Understood and evaluated the design and operating effectiveness of the credit control and impairment assessment process and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- (ii) Evaluated the outcome of prior period assessment of impairment to assess the effectiveness of management's estimation process by comparing the actual loss incurred with the impairment provision made by management, if any;
- (iii) Tested, on a sample basis, the accuracy of ageing profile on trade, retention and notes receivables and amounts due from fellow subsidiaries by checking to the underlying invoices;
- (iv) Challenged management for the status of each of the material trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets past due as at year end and corroborated explanations from management with supporting evidence, such as performing public searches of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records and other correspondence with the customers;
- (v) Assessed the appropriateness of the expected credit loss provision methodology, examined the key inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses with the involvement of auditor's expert;
- (vi) For projects with potential dispute with customers, we discussed with the Group's external legal adviser. We enquired their work performed and discussed with them the basis in concluding the minimum amount the Group is able to realise from the projects. We tested and checked relevant evidence including agreements and correspondence with customers;
- (vii) Involving the auditor's expert to assist our assessment on the appropriateness of methodology in determining the historical loss rates; and
- (viii) Assessed the adequacy of the disclosures related to the impairment in the context of the applicable financial reporting framework.

Impairment assessment of goodwill

Refer to note 4(c), note 18 and note 40.5 to the consolidated financial statements.

The carrying amount of goodwill of the Group as of 31 December 2025 amounted to HK\$39,252,000, of which HK\$15,342,000 and HK\$23,910,000 were allocated to Qingdao Dongjie Construction Engineering Co., Ltd. and Qingdao Honghai Green Energy Co., Ltd., respectively. Management considers that each of these subsidiaries constitutes a separate cash-generating unit ("CGU") for the purpose of goodwill impairment assessment. No impairment of goodwill on these two CGUs has been recognised as of 31 December 2025.

The assessment of goodwill impairment is determined based on value-in-use calculations, and it is inherently judgemental as it requires significant management judgements about future business performance and the discount rates applied to future cash flow forecasts, and accordingly, this is an area of audit focus. Management engaged an independent external valuer to assist them to perform the value-in-use calculations using appropriate valuation methodologies.

Our response:

Our procedures on auditing management's goodwill impairment assessment mainly included:

- (i) Understood and evaluated the design and operating effectiveness of the internal controls and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- (ii) Evaluated the independent external valuer's objectivity, capability and competency to perform the valuation;
- (iii) Evaluated the discounted cash flow forecasts underlying the impairment assessment and the process by which they were drawn up, including checking the accuracy of the underlying calculations and checking whether the forecasts were consistent with the latest approved budgets. We also assessed whether all relevant CGUs have been identified;
- (iv) Evaluated the key assumptions of the discounted cash flow forecasts by examining corroborating evidence including the terms and conditions of construction contracts already entered into, historical revenue growth rate and third party supplier quotations for construction cost estimation and evaluated the discount rates by assessing the cost of capital for the respective CGUs. We also evaluated the outcome of prior period assessment of goodwill impairment to assess the effectiveness of management's estimation process;
- (v) Involving the auditor's expert to assist us to assess the appropriateness of the valuation methodology and the reasonableness of the inputs, assumptions and estimation used by management and the independent external valuer which underpin the value-in-use calculation; and
- (vi) Examined the results of management's sensitivity analysis around the key assumptions including revenue growth and discount rates to ascertain the extent of change in those assumptions that could result in impairment for individual CGUs.

Independent Auditor's Report (continued)

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Lui Chi Kin

Practising Certificate Number: P06162

Hong Kong, 31 March 2026

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	6	1,880,212	1,631,308
Cost of sales	8	(1,716,319)	(1,501,180)
Gross profit		163,893	130,128
Other (losses)/gains, net	7	(5,485)	11,422
Provision for impairment losses on financial assets		(75,583)	(61,298)
Research and development expenses	8	(20,618)	(21,089)
Other administrative expenses	8	(104,431)	(129,601)
Operating loss		(42,224)	(70,438)
Finance income	9	973	2,332
Finance costs	9	(107,948)	(85,210)
Finance costs, net	9	(106,975)	(82,878)
Share of results of an associate		67	(65)
Loss before income tax		(149,132)	(153,381)
Income tax credit	10	8,840	2,670
Loss for the year		(140,292)	(150,711)
(Loss)/profit attributable to:			
Equity holders of the Company		(142,590)	(159,101)
Non-controlling interests		2,298	8,390
		(140,292)	(150,711)
Loss per share for loss attributable to the equity holders of the Company:			
Basic and diluted loss per share (HK cents)	12	(17.82)	(19.89)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
Loss for the year	(140,292)	(150,711)
Other comprehensive income		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	15,974	(15,863)
Other comprehensive income for the year, net of tax	15,974	(15,863)
Total comprehensive income for the year	(124,318)	(166,574)
Total comprehensive income attributable to:		
Equity holders of the Company	(129,819)	(170,041)
Non-controlling interests	5,501	3,467
	(124,318)	(166,574)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	270,558	292,356
Investment properties	16	53,856	11,822
Right-of-use assets	17	56,814	56,946
Goodwill	18	39,252	37,586
Intangible assets	19	11,887	12,135
Deposits and prepayments	23	10,397	18,590
Financial asset at fair value through profit or loss	3.3(i)	–	1,948
Interest in an associate	20	1,113	1,000
Deferred income tax assets	28	27,057	16,220
		470,934	448,603
Current assets			
Inventories	21	39,387	18,633
Trade, retention and notes receivables	22	1,967,892	1,264,295
Amounts due from fellow subsidiaries	22, 37(c)	1,058,551	1,204,120
Amount due from a related party	37(c)	7,227	–
Deposits, prepayments and other receivables	23	503,995	319,953
Contract assets	24	1,410,956	1,709,832
Time deposits with maturity over 3 months	26	–	2,114
Pledged bank deposits	26	113,031	116,204
Restricted cash	26	80,239	67,208
Cash and cash equivalents	26	215,486	129,406
		5,396,764	4,831,765
Total assets		5,867,698	5,280,368
EQUITY			
Capital and reserves			
Share capital	27(a)	8,000	8,000
Reserves	27(b)	7,203	137,022
		15,203	145,022
Non-controlling interests		166,335	160,834
Total equity		181,538	305,856

Consolidated Statement of Financial Position (continued)

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	30	83,355	350,098
Lease liabilities	17	212	391
Deferred income tax liabilities	28	11,013	11,013
		94,580	361,502
Current liabilities			
Trade, retention and notes payables	29	2,423,894	2,620,382
Accruals and other payables	29	358,371	260,646
Contract liabilities	24	35,784	43,621
Amount due to ultimate holding company	37(c)	292,471	34,849
Amounts due to fellow subsidiaries	37(c)	343,003	80,473
Amounts due to related companies	37(c)	18,321	13,882
Loans from an intermediate holding company	37(c)	178,618	144,899
Amounts due to non-controlling interests	35	178	4,904
Borrowings	30	1,647,787	1,361,127
Corporate bonds	31	277,795	29,835
Lease liabilities	17	1,007	1,977
Income tax payable		14,351	16,415
		5,591,580	4,613,010
Total liabilities		5,686,160	4,974,512
Total equity and liabilities		5,867,698	5,280,368

The consolidated financial statements on pages 45 to 133 were approved by the Board of Directors on 31 March 2026 and were signed on its behalf by:

Jiang Hongchang
Director

Zhou Hongbao
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the Company								
	Share capital HK\$'000 (note 27(a))	Share premium HK\$'000 (note 27(b)(i))	Other reserves HK\$'000 (note 27(b)(ii))	Exchange reserves HK\$'000 (note 27(b)(iii))	Statutory reserve HK\$'000 (note 27(b)(iv))	Retained earnings/ (accumulated losses) HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2024	8,000	214,840	23,506	(21,230)	8,835	81,112	315,063	165,412	480,475
(Loss)/profit for the year	-	-	-	-	-	(159,101)	(159,101)	8,390	(150,711)
Other comprehensive income:									
Currency translation differences	-	-	-	(10,940)	-	-	(10,940)	(4,923)	(15,863)
Total comprehensive income	-	-	-	(10,940)	-	(159,101)	(170,041)	3,467	(166,574)
Transaction with owners									
Dividend to non-controlling interests	-	-	-	-	-	-	-	(8,045)	(8,045)
At 31 December 2024 and 1 January 2025	8,000	214,840	23,506	(32,170)	8,835	(77,989)	145,022	160,834	305,856
(Loss)/profit for the year	-	-	-	-	-	(142,590)	(142,590)	2,298	(140,292)
Other comprehensive income:									
Currency translation differences	-	-	-	12,771	-	-	12,771	3,203	15,974
Total comprehensive income	-	-	-	12,771	-	(142,590)	(129,819)	5,501	(124,318)
At 31 December 2025	8,000	214,840	23,506	(19,399)	8,835	(220,579)	15,203	166,335	181,538

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	34(a)	(326,357)	26,502
Interest received		973	2,332
Interest paid		(68,716)	(74,995)
Income tax paid		(4,456)	(6,953)
Net cash used in operating activities		(398,556)	(53,114)
Cash flows from investing activities			
Payments of property, plant and equipment		(11,956)	(3,730)
Payments of intangible assets		(137)	(294)
Capital injection in an associate		–	(1,064)
Proceeds from disposal of a subsidiary		3,082	–
Proceeds from disposal of right-of-use assets		–	2,266
Proceeds from disposal of plant and equipment	34(b)	9,859	974
Decrease in time deposits with maturity over 3 months		2,114	6,270
Decrease/(increase) in pledged bank deposits		3,033	(88,261)
Net cash generated from/(used in) investing activities		5,995	(83,839)
Cash flows from financing activities			
Proceeds from borrowings	34(c)	1,247,407	2,064,122
Repayments of borrowings	34(c)	(1,264,926)	(1,959,323)
Loan from an intermediate holding company	34(c)	34,672	–
Loan from ultimate holding company	34(c)	234,125	–
Lease payments	34(c)	(2,485)	(2,582)
Repayment to non-controlling interests	34(c)	(4,935)	(13,963)
Proceed from issuance of corporate bonds	34(c)	218,721	29,835
Net cash generated from financing activities		462,579	118,089
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		129,406	144,950
Effect of foreign exchange rate changes		16,062	3,320
Cash and cash equivalents at end of the year		215,486	129,406

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION

Prosper Construction Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 6 October 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 03-08, 24/F, Shui On Centre, 6-8 Harbour Road, Wan Chai.

The Company is an investment holding company and its subsidiaries (together, the “Group”) have been engaged in marine construction works, provision of auxiliary marine related services, general construction contracting services and trading. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

2. BASIS OF PREPARATION AND ADOPTION OF HKFRS ACCOUNTING STANDARDS

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are measured at fair value.

The preparation of consolidated financial statements in compliance with adopted HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group’s accounting policies. The areas where significant judgements and estimates have been made in preparing the consolidated financial statements are disclosed in note 4.

2.2 Going concern basis

The Group incurred a loss of HK\$140,292,000 for the year ended 31 December 2025 and had net current liabilities of HK\$194,816,000 as at 31 December 2025. During the year ended 31 December 2025, the Group did not comply with certain financial covenant requirements in respect of certain bank borrowings with outstanding principal amounting to HK\$88,000,000 in total as at 31 December 2025. Such non-compliance of financial covenants also triggered cross-defaults clauses in certain other bank borrowings amounting to HK\$517,021,000 as at 31 December 2025. As a result, bank borrowings totalling HK\$605,021,000 became repayable on demand by the banks and were classified as current liabilities as at 31 December 2025. As at the same date, the Group had cash and cash equivalent of HK\$215,486,000 only. These events or conditions may cast significant doubt on the Group’s ability to continue as a going concern.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ADOPTION OF HKFRS ACCOUNTING STANDARDS (Continued)

2.2 Going concern basis (Continued)

In view of such circumstances, the directors of the Company have prepared a cash flow forecast covering a period of not less than twelve months from the end of the reporting period ("Cash Flow Forecast") for assessing the appropriateness of the use of the going concern basis for the preparation of these consolidated financial statements. When preparing the Cash Flow Forecast, the directors of the Company have given careful consideration of the Group's future liquidity, performance and sources of financing, and taking into account the following plans and measures:

- (i) The Group has been actively negotiating with the banks to obtain waivers from the banks in respect of the breached financial covenants in order to mitigate the risk of immediate repayment demand from the relevant banks. As of the date of approval of these consolidated financial statements, the Group has successfully obtained a waiver from a bank in respect of an outstanding principal amount of HK\$68,000,000 as at 31 December 2025;
- (ii) The Group is able to renew its existing banking facilities upon maturity during the forecast period;
- (iii) The Group had unutilised banking facilities of HK\$401,757,000 as at 31 December 2025; and
- (iv) The Group continues to closely monitor the market developments, actively review the collection status of trade, retention and notes receivables, and enhance its collection capability in order to improve its cash flow position.

Based on the above, the directors of the Company are of the opinion that the Group will have sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Nevertheless, the validity of the use of the going concern basis of accounting is dependent on the successful implementation of the plans and measures while there are inherent uncertainties associated with their future outcomes. These uncertainties include (i) whether the Group is able to obtain a waiver from the relevant bank in respect of the non-compliance with financial covenants; (ii) whether the Group is able to renew its existing banking facilities and to draw down the unutilised banking facilities available to it on a timely basis; and (iii) whether the Group is able to collect outstanding trade, retention and notes receivables and amounts due from fellow subsidiaries within the expected timeframe. These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue to operate the business as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ADOPTION OF HKFRS ACCOUNTING STANDARDS (Continued)

2.3 Adoption of new and amendments to HKFRS Accounting Standards

In the current year, the Group has applied for the first time the following new and amendments to standards issued by the HKICPA, which are effective for the Group's financial statements for the annual period beginning on 1 January 2025.

Amendments to HKAS 21	Lack of Exchangeability
Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37	Disclosures about Uncertainties in the Financial Statements

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.4 New and amendments to HKFRS Accounting Standards that have been issued but are not yet effective

The following new and amendments to HKFRS Accounting Standards have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards – Volume 11 ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosure ²
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2026

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

³ Effective date to be determined by the HKICPA

The Group will apply the above new standards, revised framework and amendments to standards when they become effective. Except for HKFRS 18 as set out below, these new standards, revised framework and amendments to standards are not expected to have a material impact on the entity in the current or future reporting periods. HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The new requirements are expected to impact the Group's presentation of the consolidated statements of profit or loss and disclosures of the Group's financial performance. However, it is expected that the initial adoption of HKFRS 18 would not significantly affect the Group's financial performance and position.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Group. The directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) *Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group's transactions are mainly denominated in HK\$, United State dollars ("US\$"), Indonesia Rupiah ("IDR"), Renminbi ("RMB") and Macao Patacas ("MOP"). The majority of assets and liabilities are denominated in HK\$, US\$, IDR, RMB and MOP, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK\$, IDR, RMB or MOP, which are the functional currencies of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

As HK\$ is pegged to US\$, management believes that the exchange rate risk for translations between HK\$ and US\$ do not have material impact to the Group. Management considered that the foreign exchange risk for MOP is minimal since exchange rate fluctuation were minimal.

At 31 December 2025, if RMB had weakened/strengthened by 5% against the HK\$ with all other variables held constant, pre-tax loss for the year would have been approximately HK\$45,545,000 lower/higher (2024: HK\$1,053,000), mainly as a result of the foreign exchange difference on translation of the balances denominated in RMB including cash and cash equivalents, trade, retention and notes receivables and amounts due from fellow subsidiaries and trade, retention and notes payables.

At 31 December 2025, if IDR had weakened/strengthened by 5% against the HK\$ with all other variables held constant, pre-tax loss for the year would have been approximately HK\$70,000 higher/lower (2024: HK\$3,885,000), mainly as a result of the foreign exchange difference on translation of the balances denominated in IDR including cash and cash equivalents, trade and retention receivables and trade and retention payables.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) **Cash flow interest rate risk**

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2025, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, pre-tax loss for the year would be HK\$3,353,000 higher/lower (2024: pre-tax loss would be HK\$5,480,000 higher/lower), mainly as a result of interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, amounts due from fellow subsidiaries, trade, retention and notes receivables, contract assets, deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

(i) **Risk management**

For the year ended 31 December 2025, 31.6% (2024: 23.1%) of the Group's revenue was derived from its top five customers. As at 31 December 2025, the Group had concentration of credit risk as 10.7% (2024: 23.2%) of the total trade receivables were due from the Group's top five (2024: five) customers.

Top five customers mainly include state-owned enterprises and other construction companies. To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade, retention and notes receivable and amounts due from fellow subsidiaries to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with bank is limited because deposits are in banks with sound credit ratings and good payment history.

For deposits and other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) **Risk management (Continued)**

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- significant changes in actual or expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Basis for recognition of expected credit loss
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Debtor frequently repays after due dates but usually settle after due date	Lifetime expected losses
Non-performing	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime expected losses
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Asset is written off

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) **Impairment of financial assets**

Trade, retention and notes receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all trade, retention and notes receivables and contract assets.

To measure the expected credit losses, trade, retention and notes receivables and contract assets have been grouped based on shared credit risk characteristics by different sectors of the customers in different territories. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and retention receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade, retention and notes receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on various factors including the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, the number of days past due, adjusted for forward-looking factors and specific consideration to the debtors and the economic environment. Accordingly, historical loss rates are adjusted based on expected changes in these factors.

For trade, retention and notes receivables and contract assets relating to accounts in which there are objective evidence that the likelihood of settlement from counterparties are remote, they are assessed individually for impairment allowance. Accordingly specific loss allowance of HK\$103,835,000 and HK\$9,540,000 (2024: HK\$81,256,000 and HK\$44,625,000) was made as at 31 December 2025 for trade, retention and notes receivables and contract assets, respectively.

As at 31 December 2025, the expected credit losses of these collectively assessed trade, retention and notes receivables and contract assets were HK\$69,703,000 and HK\$79,933,000, respectively (2024: HK\$39,753,000 and HK\$29,665,000 respectively) based on expected loss rates ranging from 0.33% – 48.91% (2024: 0.07% – 36.96%) applied on different customer sectors.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) *Impairment of financial assets (Continued)*

Trade, retention and notes receivables and contract assets (Continued)

The loss allowances for trade, retention and notes receivables and contract assets as at 31 December 2025 reconcile to the opening loss allowance as follows:

Trade, retention and notes receivables	State-owned enterprise HK\$'000	Non- state-owned enterprise HK\$'000	Total HK\$'000
At 1 January 2024	2,401	102,556	104,957
Increase in loss allowance recognised in profit or loss during the year	12,810	33,745	46,555
Reversal of loss allowance	(407)	(21,509)	(21,916)
Exchange difference	(4,069)	(4,518)	(8,587)
At 31 December 2024 and 1 January 2025	10,735	110,274	121,009
Increase in loss allowance recognised in profit or loss during the year	4,896	79,422	84,318
Reversal of loss allowance	(5,730)	(28,834)	(34,564)
Exchange difference	455	2,321	2,776
At 31 December 2025	10,356	163,183	173,539

Contract assets	State-owned enterprise HK\$'000	Non- state-owned enterprise HK\$'000	Total HK\$'000
At 1 January 2024	3,760	37,867	41,627
Increase in loss allowance recognised in profit or loss during the year	5,284	43,184	48,468
Reversal of loss allowance	(2,433)	(12,614)	(15,047)
Exchange difference	(1,359)	601	(758)
At 31 December 2024 and 1 January 2025	5,252	69,038	74,290
Increase in loss allowance recognised in profit or loss during the year	1,185	41,993	43,178
Reversal of loss allowance	(2,038)	(26,692)	(28,730)
Exchange difference	214	147	361
At 31 December 2025	4,613	84,486	89,099

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) *Impairment of financial assets (Continued)*

Trade, retention and notes receivables and contract assets (Continued)

Trade, retention and notes receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade, retention and notes receivables and contract assets are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Amounts due from fellow subsidiaries

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all amounts due from fellow subsidiaries which have been arise from the revenue from general construction services with its fellow subsidiaries.

To measure the expected credit losses, amounts due from fellow subsidiaries have been grouped based on shared credit risk characteristics by different sectors of the customers in different territories.

As at 31 December 2025, the expected credit losses of these collectively assessed amounts due from fellow subsidiaries were HK\$1,872,000 (2024: HK\$1,203,000) based on expected loss rate at 0.06% – 45.79% (2024: 0.07% – 24.51%) applied on different customer sectors.

The loss allowances for amounts due from fellow subsidiaries as at 31 December 2025 reconcile to the opening loss allowance as follows:

	State-owned enterprise HK\$'000
At 1 January 2024	4,978
Increase in loss allowance recognised in profit or loss during the year	17
Reversal of loss allowance	(3,683)
Exchange difference	(109)
At 31 December 2024 and 1 January 2025	1,203
Increase in loss allowance recognised in profit or loss during the year	1,757
Reversal of loss allowance	(1,153)
Exchange difference	65
At 31 December 2025	1,872

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) *Impairment of financial assets (Continued)*

Amounts due from fellow subsidiaries (Continued)

Amounts due from fellow subsidiaries are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on amounts due from fellow subsidiaries are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

For other financial assets at amortised cost, including deposits and other receivables, the expected credit loss is based on the 12 months expected losses. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

For deposit and other receivables relating to accounts in which there are objective evidence that the likelihood of settlement from counterparties are remote, they are assessed individually for impairment allowance. Accordingly, specific loss allowance of HK\$17,448,000 (2024: HK\$13,825,000) was made as at 31 December 2025.

As at 31 December 2025, the expected credit losses of these collectively assessed deposits and other receivables were HK\$10,220,000 (2024: HK\$2,172,000) based on expected loss rates approximately to 0.06% – 48.91% (2024: 0.34% – 5.21%) applied on counterparties' sectors.

As at 31 December 2025 and 2024, the Group provides for credit losses against other financial assets at amortised cost as follows:

The Group's internal credit rating	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default HK\$'000	Carrying amount (net of impairment provision) HK\$'000
31 December 2025			
Performing	12 months expected loss	484,423	456,755
31 December 2024			
Performing	12 months expected loss	186,920	170,923

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) *Impairment of financial assets (Continued)*

Other financial assets at amortised cost (Continued)

The loss allowances for other financial assets at amortised cost as at 31 December 2025 reconcile to the opening loss allowances as follows:

	State-owned enterprise HK\$'000	Non- state-owned enterprise HK\$'000	Total HK\$'000
At 1 January 2024	1,412	3,481	4,893
Increase in loss allowance recognised in profit or loss during the year	45	8,784	8,829
Reversal of loss allowance	(397)	(1,528)	(1,925)
Exchange difference	(828)	5,028	4,200
At 31 December 2024 and 1 January 2025	232	15,765	15,997
Increase in loss allowance recognised in profit or loss during the year	8	28,080	28,088
Reversal of loss allowance	–	(17,311)	(17,311)
Exchange difference	10	884	894
At 31 December 2025	250	27,418	27,668

Cash and cash equivalents

There is no loss allowance for cash and cash equivalents as at 31 December 2025 (2024: Nil).

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end dates during the year). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand and less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
As at 31 December 2025					
Trade, retention and notes payables	2,423,894	-	-	-	2,423,894
Accruals and other payables	358,171	-	-	-	358,171
Lease liabilities	1,045	215	-	-	1,260
Borrowings and interest payables	1,696,601	87,402	-	-	1,784,003
Corporate bonds	291,602	-	-	-	291,602
Loans from an intermediate holding company	190,638	-	-	-	190,638
Amount due to ultimate holding company	292,471	-	-	-	292,471
Amounts due to fellow subsidiaries	343,003	-	-	-	343,003
Amounts due to related companies	18,321	-	-	-	18,321
Amounts due to non-controlling interests	178	-	-	-	178
As at 31 December 2024					
Trade, retention and notes payables	2,620,382	-	-	-	2,620,382
Accruals and other payables	260,646	-	-	-	260,646
Lease liabilities	2,045	401	-	-	2,446
Borrowings and interest payables	1,419,277	268,227	110,877	-	1,798,381
Corporate bonds	31,926	-	-	-	31,926
Loans from an intermediate holding company	153,158	-	-	-	153,158
Amount due to ultimate holding company	34,849	-	-	-	34,849
Amounts due to fellow subsidiaries	80,473	-	-	-	80,473
Amounts due to related companies	13,882	-	-	-	13,882
Amounts due to non-controlling interests	4,904	-	-	-	4,904

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to balance its overall capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings, corporate bonds and loans from an intermediate holding company less cash and cash equivalents, time deposits, restricted cash and pledged bank deposits. The debt-to-equity ratios as at 31 December 2025 and 2024 are as follows:

	2025 HK\$'000	2024 HK\$'000
Borrowings (note 30)	1,731,142	1,711,225
Corporate bonds (note 31)	277,795	29,835
Loans from an intermediate holding company (note 37(c))	178,618	144,899
Less: cash and cash equivalents, time deposits with maturity over 3 months, restricted cash and pledged bank deposits (note 26)	(408,756)	(314,932)
Net debt	1,778,799	1,571,027
Total equity	181,538	305,856
Debt to equity ratio	979.8%	513.6%

3.3 Fair value estimation

(i) Valuation inputs and relationships to fair value

For the year ended 31 December 2024, the Group recognised a financial asset regarding the contingent consideration ("Contingent Consideration") upon the acquisition of Qingdao Bei Fang Construction Design and Research Company Limited. The fair value measurement of the Contingent Consideration is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used. There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2024.

This section explains the judgments and estimates made in determining the fair value of the financial instrument that is recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instrument into the three levels prescribed under the accounting standards. An explanation follows underneath the table.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(i) Valuation inputs and relationships to fair value (Continued)

Description	Fair value HK\$'000	Valuation techniques	Key inputs	Range of significant inputs	Relationship of inputs to fair value
At 31 December 2024					
Contingent consideration	1,948	Scenario-based analysis	(i) Discount rate	25%	(i) A decrease/increase in discount rate by 10% would increase/decrease the fair value by HK\$69,000/HK\$67,000
			(ii) Estimated accumulated profit in 2023-2025	RMB0 – RMB7,130,000	(ii) If the estimated accumulated profit increase/decrease 10%, the fair value would decrease/increase by HK\$19,000

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company are the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities gives rise to a significant unobservable adjustment.

(ii) Valuation processes

The Group engage an external valuation team to perform valuation on these level 3 instruments for financial reporting purposes. During the valuation processes, the Group management have discussed with the external valuation team about the key basis and assumptions to determine the valuation of level 3 financial assets.

As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including scenario-based analysis.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair value of financial assets and liabilities measured at amortised cost

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, time deposits, restricted cash, pledged bank deposits, trade, retention and notes receivables, deposits and other receivables, amounts due from fellow subsidiaries, amount due from a related party, trade, retention and notes payables, accruals and other payables, loans from an intermediate holding company, amounts due to related companies, amounts due to non-controlling interests, amounts due to fellow subsidiaries, amount due to ultimate holding company, borrowings, corporate bonds and lease liabilities approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates or market interest rates.

3.5 Financial instruments by category

	2025 HK\$'000	2024 HK\$'000
Financial assets at amortised cost		
Trade, retention and notes receivables, deposits and other receivables	2,428,281	1,435,218
Amounts due from fellow subsidiaries	1,058,551	1,204,120
Amount due from a related party	7,227	–
Time deposits with maturity over 3 months	–	2,114
Pledged bank deposits	113,031	116,204
Restricted cash	80,239	67,208
Cash and cash equivalents	215,486	129,406
Total	3,902,815	2,954,270
Financial asset at fair value through profit or loss		
Contingent consideration	–	1,948
Financial liabilities at amortised cost		
Trade, retention and notes payables, accruals and other payables	2,782,065	2,880,735
Loans from an intermediate holding company	178,618	144,899
Amounts due to related companies	18,321	13,882
Amount due to non-controlling interests	178	4,904
Amounts due to fellow subsidiaries	343,003	80,473
Amount due to ultimate holding company	292,471	34,849
Borrowings	1,731,142	1,711,225
Corporate bonds	277,795	29,835
Lease liabilities	1,219	2,368
Total	5,624,812	4,903,170

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

In addition, significant judgement is required to assess the recoverability of contract costs incurred as a result of difference between the amount applied to and the amount certified by the main contractor.

The progress towards complete satisfaction of the performance obligation is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract.

(b) Impairment of trade, retention and notes receivables and amounts due from fellow subsidiaries and contract assets

The loss allowances for trade, retention and notes receivables and amounts due from fellow subsidiaries and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past default history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1(b).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment assessment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amounts of cash-generating units (“CGUs”) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 18. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of assumptions and inputs used are disclosed in note 18 to the consolidated financial statement.

(d) Impairment assessment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amount is determined based on value-in-use calculation or fair value less costs of disposal (“FVLCD”). The calculations of value-in-use require the use of judgement and estimates of the future cash flows expected to arise from the assets or CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of non-financial assets within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of assumptions and inputs used are disclosed in note 18 to the consolidated financial statements.

(e) Classification of acquisition of 34% equity interest in Qingdao Honghai Green Energy Co., Ltd.

The classification of an investment as a subsidiary is based on whether the Group is determined to have control over the investee, which involves judgements through the analysis of various factors, including the Group’s power on the chief decision-making authorities of an investee. As the Group is entitled to appoint a majority number of directors of Qingdao Honghai Green Energy Co., Ltd. (“Qingdao Honghai”) and is able to control its management and operation, the identifiable assets and liabilities of Qingdao Honghai is accounted for in the consolidated financial statements of the Group at their fair value under the acquisition method.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Going concern consideration

The directors of the Company have prepared the consolidated financial statements for the year ended 31 December 2025 based on a going concern basis. The assessment of the going concern assumption, as mentioned in note 2.2, involves making judgement by the directors of the Company at a particular point of time, about the future outcome of events or conditions which are uncertain. When preparing the consolidated financial statements for the year based on a going concern basis, the directors of the Company have performed due and careful assessment and considered (i) the Group is able to obtain a waiver from the relevant bank in respect of the breached financial covenants; (ii) the Group is able to renew its existing banking facilities and to draw down the unutilised banking facilities available to it on a timely basis; and (iii) the Group is able to collect outstanding trade, retention and notes receivables and amounts due from fellow subsidiaries within the expected timeframe.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company.

For the year ended 31 December 2025, the executive directors regard the Group's business as comprising four operating segments of marine construction works, provision of auxiliary marine related services, general construction contracting services and trading (2024: three operating segments: marine construction works, provision of auxiliary marine related services and general construction contracting services). They review financial information accordingly.

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except for deferred tax assets, cash and bank balances and other corporate assets, which are not directly attributable to the business activities of any operating segment.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated statement of financial position except for income tax payable, deferred tax liabilities, borrowings, corporate bonds, loans from an intermediate holding company and corporate liabilities, which are not directly attributable to the business activities of any operating segment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

5. SEGMENT INFORMATION (Continued)

(a) Revenue and results for the Group's reportable segments

	Marine construction works HK\$'000	Provision of auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Trading HK\$'000	Total HK\$'000
For the year ended 31 December 2025					
Segment revenue from external customers	92,772	3,145	1,731,075	53,220	1,880,212
Segment results	(56,928)	(20,236)	62,318	(2,745)	(17,591)
Unallocated expenses					(17,038)
Depreciation of investment properties					(1,347)
Depreciation of property, plant and equipment					(2,382)
Depreciation of right-of-use assets					(3,799)
Finance costs, net					(106,975)
Loss before income tax					(149,132)
Income tax credit					8,840
Loss for the year					(140,292)
Included in segment results are:					
Depreciation of property, plant and equipment	(7,301)	-	(15,102)	-	(22,403)
Amortisation of intangible assets	-	-	(906)	-	(906)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

5. SEGMENT INFORMATION (Continued)

(a) Revenue and results for the Group's reportable segments (Continued)

	Marine construction works HK\$'000	Provision of auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Total HK\$'000
For the year ended 31 December 2024				
Segment revenue from external customers	55,427	4,205	1,571,676	1,631,308
Segment results	(53,685)	(21,451)	30,366	(44,770)
Unallocated expenses				(15,516)
Depreciation of investment properties				(1,345)
Depreciation of property, plant and equipment				(4,700)
Depreciation of right-of-use assets				(4,172)
Finance costs, net				(82,878)
Loss before income tax				(153,381)
Income tax credit				2,670
Loss for the year				(150,711)
Included in segment results are:				
Depreciation of property, plant and equipment	(18,384)	(543)	(3,338)	(22,265)
Amortisation of intangible assets	–	–	(3,143)	(3,143)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

5. SEGMENT INFORMATION (Continued)

(b) Total assets for the Group's reportable segments

	Marine construction works HK\$'000	Provision of auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Trading HK\$'000	Total HK\$'000
At 31 December 2025					
Segment assets	476,620	52,554	4,681,820	165,171	5,376,165
Unallocated assets					491,533
Total assets					5,867,698
Additions to non-current assets	27,720	908	51,622	–	80,250
At 31 December 2024					
Segment assets	594,693	60,174	4,603,977	–	5,258,844
Unallocated assets					21,524
Total assets					5,280,368
Additions to non-current assets	2,639	–	1,385	–	4,024

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

5. SEGMENT INFORMATION (Continued)

(c) Total liabilities for the Group's reportable segments

	Marine construction works HK\$'000	Provision of auxiliary marine related services HK\$'000	General construction contracting services HK\$'000	Trading HK\$'000	Total HK\$'000
At 31 December 2025					
Segment liabilities	89,930	8,900	2,986,627	74,493	3,159,950
Corporate bonds					277,795
Borrowings					1,731,142
Loans from an intermediate holding company					178,618
Unallocated liabilities					338,655
Total liabilities					5,686,160
At 31 December 2024					
Segment liabilities	118,466	5,075	2,912,316	–	3,035,857
Corporate bonds					29,835
Borrowings					1,711,225
Loans from an intermediate holding company					144,899
Unallocated liabilities					52,696
Total liabilities					4,974,512

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

5. SEGMENT INFORMATION (Continued)

(d) Geographical information

(i) Revenue from external customers

The Group's revenue from external customers attributable to the countries from which the Group derives revenue based on marine construction works, general construction contracting services, provision of auxiliary marine related services and trading.

	Year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Hong Kong	71,855	54,120
Chinese Mainland	1,665,179	1,571,677
Indonesia	7,350	3,981
Macao	1,139	1,530
Kazakhstan	117,273	–
Pakistan	16,076	–
The United Arab Emirates	180	–
Ethiopia	1,160	–
	1,880,212	1,631,308

(ii) Non-current assets

The Group's information about its non-current assets including property, plant and equipment and investment properties located in the country of domicile are detailed below:

Based on countries of domicile of companies holding the assets:

	As at 31 December	
	2025 HK\$'000	2024 HK\$'000
Hong Kong	155,481	185,447
Chinese Mainland	159,585	107,742
Indonesia	5,754	6,466
Macao	3,594	4,523
	324,414	304,178

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

5. SEGMENT INFORMATION (Continued)

(d) Geographical information (Continued)

(ii) Non-current assets (Continued)

Based on physical location of the assets:

	As at 31 December	
	2025	2024
	HK\$'000	HK\$'000
Hong Kong	131,937	147,862
Indonesia	5,754	6,466
Macao	3,594	9,591
Chinese Mainland	169,242	118,249
Pakistan	13,887	20,398
The Philippines	–	1,612
	324,414	304,178

(e) Information about major customers

There is no external customer whose revenue is more than 10% of the Group's revenue for the years ended 31 December 2025 and 2024.

6. REVENUE

Accounting policy

(a) Provision of marine construction services and general construction services

Revenue from the marine construction services and general construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

For contracts that contain variable consideration (variation order of construction work), the Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that 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.

When there is change in circumstances, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to better predict the circumstances present at the end of the reporting period and the changes in circumstances during the year.

(b) Provision of auxiliary marine related services

The Group provides auxiliary marine related services. Revenue is recognised over time when the relevant services are rendered, and the Group's performance provide all of the benefits received and consumed simultaneously by the customers.

(c) Trading of materials

Revenue from trading of materials is recognised at a point in time when the control of the goods has been transferred to the customer and there is no unfulfilling performance obligation after the acceptance of the goods.

(d) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. In the consolidated statement of financial position, the contract assets mainly consist of unbilled revenue. Contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

6. REVENUE (Continued)

Revenue

	2025 HK\$'000	2024 HK\$'000
Rendering of services, recognised over time		
– Marine construction works	92,772	55,427
– Provision of auxiliary marine related services	3,145	4,205
– General construction contracting services	1,731,075	1,571,676
Trading of materials, recognised at a point in time		
– Trading	53,220	–
	1,880,212	1,631,308

7. OTHER (LOSSES)/GAINS, NET

	2025 HK\$'000	2024 HK\$'000
Loss on disposal of property, plant and equipment	(3,370)	(940)
Loss on disposal of right-of-use assets	–	(35)
Government grants (note)	745	233
Foreign exchange (losses)/gains, net	(8,486)	11,393
Rental income from investment properties (note 16)	568	922
Gain from sale of scrap materials	–	125
Gain on disposal of a subsidiary	4,928	–
Loss on dissolution of a joint operation	–	(1,826)
Fair value (loss)/gain on financial asset at fair value through profit or loss	(1,870)	762
Others	2,000	788
	(5,485)	11,422

Note: Government grants in 2025 and 2024 mainly related to grant from the People's Republic of China ("PRC") government to support the Company's innovation development. There were no unfulfilled condition and other contingencies attached to the receipts of those subsidies.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

8. EXPENSES BY NATURE

	2025 HK\$'000	2024 HK\$'000
Cost of sales		
Consultancy and design fee	16,643	15,562
Depreciation of property, plant and equipment (note 15)	22,403	22,265
Insurance	1,778	3,497
Materials (note 21)	692,005	632,178
Subcontracting charges	808,234	650,058
Staff costs (note (a))	72,786	69,164
Lease expenses relating to short-term lease of machineries and equipment (note 17)	46,818	62,561
Repair and maintenances	1,149	1,820
Transportation	1,182	1,385
Site expenses	24,888	21,674
Customs duties	4,830	5,858
Others	23,603	15,158
	1,716,319	1,501,180
Other administrative expenses		
Staff costs, including directors' emoluments (note (a))	50,760	58,064
Auditors' remuneration		
– Audit services	2,200	2,200
Depreciation of property, plant and equipment (note 15)	2,382	4,700
Depreciation of right-of-use assets (note 17)	3,799	4,172
Depreciation of investment properties (note 16)	1,347	1,345
Amortisation of intangible assets (note 19)	906	3,143
Lease expenses relating to short-term leases and leases of low-value assets (note 17)	1,550	4,663
Professional fee – others	9,586	16,023
Consumables expenses	15	56
Entertainment fee	709	1,254
Travelling expense	3,709	2,044
Bank charges	3,937	7,053
Others	23,531	24,884
	104,431	129,601
Research and development expenses (note (b))	20,618	21,089
Total cost of sales, research and development expenses and other administrative expenses	1,841,368	1,651,870

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

8. EXPENSES BY NATURE (Continued)

Notes:

(a)	2025 HK\$'000	2024 HK\$'000
Wages and salaries	105,132	115,343
Pension costs – defined contribution plans	10,203	10,285
Other employment benefits	8,211	1,600
	123,546	127,228
Included in:		
Cost of sales	72,786	69,164
Other administrative expenses	50,760	58,064

The Group participates in a Mandatory Provident Fund scheme (the “MPF Scheme”) in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees’ gross earnings with a ceiling of HK\$1,500 per month.

The Group also participates in an employee social security plan (the “Social Security Plan”) and contributes a fixed amount for each employee as required by the regulations in Macao.

The Group participates in an employee social security programme (the “Social Security Programme”) in Indonesia, providing compensation in the event of working accidents, death, old age, and in case of sickness and hospitalisation. Under the Social Security Programme, the employer is required to contribute a fixed percentage of the employee’s salaries every month.

The Group’s subsidiaries in the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans. Contributions to these retirement benefits schemes are charged to the consolidated statement of profit or loss as incurred.

The only obligation of the Group with respect to the MPF Scheme, the Social Security Plan and the Social Security Programme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

- (b) During the year ended 31 December 2025, the amount of research and development expenses of HK\$20,618,000 (2024: HK\$21,089,000) represented the research and development of curtain wall engineering and construction technology.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

9. FINANCE COSTS, NET

Accounting policy

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

	2025 HK\$'000	2024 HK\$'000
Finance income		
– Interest income on bank balances	973	2,332
Finance costs		
– Interest expenses on loans from an immediate holding company (note 37(b))	(7,410)	(10,017)
– Interest expenses on amount due to ultimate holding company (note 37(b))	(14,201)	–
– Interest expenses on bank loans	(68,717)	(75,056)
– Interest expenses on corporate bonds	(17,512)	–
– Interest expenses on lease liabilities (note 17)	(108)	(137)
	(107,948)	(85,210)
Finance costs, net	(106,975)	(82,878)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

10. INCOME TAX CREDIT

The amount of income tax (credited)/charged to the consolidated statement of profit or loss represents:

	2025 HK\$'000	2024 HK\$'000
PRC Corporate Income Tax		
Current income tax	865	4,790
Indonesia income tax		
Withholding income tax	259	84
Deferred income tax (note 28)	(9,964)	(7,544)
Income tax credit	(8,840)	(2,670)

- (a) No provision for Hong Kong profits tax has been made for the current and prior periods as the Group has no assessable profits arising in Hong Kong.
- (b) Subsidiaries in the PRC are subject to Corporate Income Tax ("CIT") in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% except for subsidiaries which qualify as High-New Technology Enterprises which are subject to a tax rate of 15%.
- (c) Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for income of construction works performed and interest income from bank deposits. For the year ended 31 December 2025, income tax has been provided at the rate of 3% (2024: 3%) of the construction revenue and 20% (2024: 20%) of the interest income from bank deposits.
- (d) No provision has been provided for Macao complementary profits tax for both years as the group has no assessable profit arising in Macao.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

10. INCOME TAX CREDIT (Continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2025 HK\$'000	2024 HK\$'000
Loss before income tax	(149,132)	(153,381)
Calculated at tax rate of 16.5% (2024: 16.5%)	(24,607)	(25,308)
Tax effects of:		
Withholding tax	259	84
Effect of different tax rates in other territories	(1,506)	1,158
Income not subject to tax*	(1,616)	(10,259)
Expenses not deductible for tax purposes	14,217	17,374
Effect of temporary difference not recognised	6,029	2,142
Super deduction for research and development costs	(2,815)	(3,129)
Utilisation of prior year tax losses	(1,550)	–
Tax losses for which no deferred income tax asset was recognised	2,534	15,179
Reversal of previously recognised tax losses	215	89
Income tax credit	(8,840)	(2,670)

* Include income from projects, which is subject to withholding tax.

11. DIVIDENDS

For the year ended 31 December 2025, no interim dividend was declared by the Company to its shareholders (2024: Nil).

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

12. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2025	2024
Loss attributable to equity holders of the Company (HK\$'000)	(142,590)	(159,101)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousands)	800,000	800,000
Basic loss per share (HK cents)	(17.82)	(19.89)

(b) Diluted

Diluted loss per share for the years of 2025 and 2024 is the same as the basic loss per share as there were no potential dilutive ordinary shares.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

13. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of individual directors of the Company during the year which were included in the staff costs as disclosed in note 8 are set out below:

For the year ended 31 December 2025

	Fees HK\$'000	Salaries HK\$'000	Employer's Contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors				
Mr. Jiang Hongchang	-	-	-	-
Mr. Liu Yutao	-	-	-	-
Mr. Du Jianzhi (note (i))	-	-	-	-
Mr. Zhou Hongbao (note (ii))	-	-	-	-
Mr. Li Chunxiao (note (iii))	-	-	-	-
Mr. Ni Chuchen (note (iv))	-	71	2	73
Ms. Dong Fang (note (v))	-	-	-	-
Mr. Cui Qiang (note (vi))	-	-	-	-
	-	71	2	73
Independent non-executive directors				
Mr. Cheung Chi Man Dennis	259	-	-	259
Ms. Chen Yan	259	-	-	259
Mr. Liu Junchun (note (vii))	259	-	-	259
	777	-	-	777

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

13. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2024

	Fees HK\$'000	Salaries HK\$'000	Employer's Contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors				
Mr. Zhou Hongbao (note (ii))	–	–	–	–
Mr. Jiang Hongchang	–	–	–	–
Mr. Liu Yutao	–	–	–	–
Mr. Yang Honghai (note (viii))	–	16	1	17
Mr. Ni Chuchen (note (iv))	–	762	18	780
Mr. Du Jianzhi (note (i))	–	–	–	–
Ms. Dong Fang (note (v))	–	–	–	–
	–	778	19	797
Independent non-executive directors				
Mr. Cheung Chi Man Dennis	259	–	–	259
Mr. Wang Yaping (note (ix))	130	–	–	130
Mr. Cheng Xuezhan (note (x))	161	–	–	161
Ms. Chen Yan	259	–	–	259
Mr. Liu Junchun (note (vii))	98	–	–	98
	907	–	–	907

Notes:

- (i) Mr. Du Jianzhi has resigned as the Company's director on 31 March 2026.
- (ii) Mr. Zhou Hongbao was appointed as the Company's director on 10 January 2025.
- (iii) Mr. Li Chunxiao was appointed as the Company's director on 3 April 2025.
- (iv) Mr. Ni Chuchen was ceased as chief operating officer on 10 January 2025 and has resigned as the Company's director on 28 March 2025.
- (v) Ms. Dong Fang was appointed as the Company's director on 27 June 2024 and has retired on 26 June 2025.
- (vi) Mr. Cui Qiang was appointed as the Company's director on 31 March 2026.
- (vii) Mr. Liu Junchun was appointed as independent non-executive director on 15 August 2024.
- (viii) Mr. Yang Honghai has resigned as executive director on 27 June 2024.
- (ix) Mr. Wang Yaping was retired as the Company's director on 27 June 2024.
- (x) Mr. Cheng Xuezhan has resigned as independent non-executive director on 15 August 2024.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

13. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(a) Directors' emoluments (Continued)

During the year ended 31 December 2025, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; and (ii) waived or has agreed to waive any emolument (2024: Nil).

During the year ended 31 December 2025, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services (2024: Nil).

During the years ended 31 December 2025 and 2024, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, other than those disclosed in note 37 of the consolidated financial statements.

Those directors without payment from the Company received emoluments from the ultimate holding company, part of which are in relation to their services to the Company. No apportionment has been done as the directors consider that it is impractical to apportion the amount between their services to the Company and their services to the ultimate holding company, and the amount is immaterial.

(b) Five highest paid individuals

For the year ended 31 December 2025, the five individuals whose emoluments were the highest in the Group for the year do not include any director (2024: Include one director, whose emoluments were reflected in the analysis presented above). The emoluments paid to the five highest paid individuals are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, bonus and other allowances	4,229	3,814
Pension costs – defined contribution plans	288	90
	4,517	3,904

The emoluments of the 5 individuals fell within the following band:

	2025	2024
Nil – HK\$1,000,000	4	5
HK\$1,000,001 – HK\$1,500,000	1	–

During the year ended 31 December 2025, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office (2024: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

14. SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2025 and 2024:

Name	Place of Incorporation and type of legal entity	Principal activities and place of operation	Issued share and fully paid share capital		Effective interest held as at	
			2025	2024	2025	2024
Directly held by the Company:						
Prosper Construction Group Ltd.	British Virgin Islands, limited liability company	Investment holding	HK\$2	HK\$2	100%	100%
West Coast Development (International) Limited	British Virgin Islands, limited liability company	Investment holding	US\$1	US\$1,000,000	100%	100%
West Coast Development (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding	US\$1,000,000	US\$1,000,000	100%	100%
Indirectly held by the Company:						
Hong Kong River Engineering Company Limited	Hong Kong, limited liability company	Provision of engineering and construction works in Hong Kong	HK\$120,100,000	HK\$60,000,000	100%	100%
Creator Pacific Limited	Hong Kong, limited liability company	Letting of vessels for rental income, trading of vessels and provision of repairing services to the vessels	HK\$38,000,000	HK\$38,000,000	100%	100%
PT. Indonesia River Engineering	Indonesia, limited liability company	Provision of engineering and construction works in Indonesia	US\$400,000	US\$400,000	100%	100%
Hong Kong River (Macao) Engineering Company Limited (香港瑞沃(澳門)工程有限公司)	Macao, limited liability company	Provision of engineering and construction works in Macao	MOP100,000	MOP100,000	100%	100%
Creator Pacific (M) SDN. BHD	Malaysia, limited liability company	Provision of engineering and construction works in Malaysia	RM1	RM1	100%	100%
Qingdao Xifa Ruihai Industrial Development Limited	Chinese Mainland, limited liability company	Investment holding	US\$1,000,000	US\$1,000,000	100%	100%
Qingdao Dongjie Construction Engineering Co., Ltd. ("Qingdao Dongjie")	Chinese Mainland, limited liability company	Provision of construction services in the PRC	RMB50,000,000	RMB50,000,000	80%	80%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

14. SUBSIDIARIES (Continued)

Name	Place of Incorporation and type of legal entity	Principal activities and place of operation	Issued share and fully paid share capital		Effective interest held as at	
			2025	2024	2025	2024
Qingdao Honghai (Note a)	Chinese Mainland, limited liability company	Provision of construction services in the PRC	RMB50,000,000	RMB50,000,000	34%	34%
Qingdao Bei Fang Construction Design and Research Company Limited ("Bei Fang Construction") (Note b)	Chinese Mainland, limited liability company	Provision of construction design and consultation services in the PRC	-	RMB10,769,200	-	35%
Hoi Hao Company Limited	Macao, limited liability company	Inactive	MOP\$100,000	MOP\$100,000	100%	100%
Ruiwo (Zhuhai Hengqin) Construction Engineering Co., Ltd.	Chinese Mainland, limited liability company	Inactive	RMB10,000,000	RMB10,000,000	100%	100%

Notes:

- The Group is entitled to appoint a majority number of directors of Qingdao Honghai and is able to control its management and operation. Accordingly, Qingdao Honghai is an indirect non-wholly owned subsidiary of the Company and its financial results, assets and liabilities are accounted for in the consolidated financial statement of the Group.
- The company was acquired by a non-wholly owned subsidiary on 10 January 2023. The Group is able to control its management and operation. Accordingly, Bei Fang Construction is an indirect non-wholly owned subsidiary of the Company and its financial results, assets and liabilities are accounted for in the consolidated financial statement of the Group. On 25 December 2025, the Group disposed of equity interest of the company to its shareholders.

15. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Depreciation of both owned and leased plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	35 years
Vessels	20 years
Machinery and equipment	3 – 10 years
Furniture and fixtures	5 years
Motor vehicles	3 – 5 years
Office equipment	3 – 10 years

See Note 40.4 for the other accounting policies relevant to property, plant and equipment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Machinery and equipment HK\$'000	Vessels HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2024							
Cost	92,766	295	11,709	89,479	268,806	4,744	467,799
Accumulated depreciation	(1,448)	(256)	(6,767)	(56,729)	(78,423)	(2,062)	(145,685)
Net book amount	91,318	39	4,942	32,750	190,383	2,682	322,114
Year ended 31 December 2024							
Opening net book amount	91,318	39	4,942	32,750	190,383	2,682	322,114
Additions	339	-	645	2,746	-	-	3,730
Disposal	-	-	(51)	(1,263)	(583)	(17)	(1,914)
Depreciation (note 8)	(3,172)	(14)	(1,967)	(7,962)	(12,840)	(1,010)	(26,965)
Exchange difference	(3,278)	-	(128)	(727)	(422)	(54)	(4,609)
Closing net book amount	85,207	25	3,441	25,544	176,538	1,601	292,356
At 31 December 2024 and 1 January 2025							
Cost	89,710	295	11,781	84,759	267,580	4,561	458,686
Accumulated depreciation	(4,503)	(270)	(8,340)	(59,215)	(91,042)	(2,960)	(166,330)
Net book amount	85,207	25	3,441	25,544	176,538	1,601	292,356
Year ended 31 December 2025							
Opening net book amount	85,207	25	3,441	25,544	176,538	1,601	292,356
Additions	96	-	157	9,347	1,786	570	11,956
Disposal (note 34(b))	-	(10)	(78)	(1,215)	(11,770)	(156)	(13,229)
Disposal of a subsidiary	-	-	(2)	-	-	(166)	(168)
Depreciation (note 8)	(3,180)	(12)	(1,178)	(7,162)	(12,381)	(872)	(24,785)
Exchange difference	3,709	-	105	785	(199)	28	4,428
Closing net book amount	85,832	3	2,445	27,299	153,974	1,005	270,558
At 31 December 2025							
Cost	93,786	235	11,891	93,142	244,610	3,458	447,122
Accumulated depreciation	(7,954)	(232)	(9,446)	(65,843)	(90,636)	(2,453)	(176,564)
Net book amount	85,832	3	2,445	27,299	153,974	1,005	270,558

As at 31 December 2025, the Group's properties, plant and equipment with carrying amounts of HK\$90,346,000 (2024: HK\$84,251,000) were secured for bank facilities which covers loans of HK\$73,886,000 (2024: HK\$75,558,000) as at 31 December 2025 (note 30).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

16. INVESTMENT PROPERTIES

Accounting policy

Investment properties are interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. The Group has adopted the cost model under HKAS 40 to account for its investment properties and such properties is stated at cost less depreciation and any impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of the investment properties to its residual value over its estimated useful life. Depreciation of investment properties is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives of 20-35 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

	2025 HK\$'000	2024 HK\$'000
Opening net book value	11,822	13,654
Additions	41,931	–
Depreciation (note 8)	(1,347)	(1,345)
Exchange difference	1,450	(487)
Carrying amount	53,856	11,822
Year ended 31 December		
Cost	61,442	17,785
Accumulated depreciation	(7,186)	(5,563)
Accumulated impairment	(400)	(400)
	53,856	11,822

As at 31 December 2025, the Group's investment properties with carrying amounts of HK\$6,898,000 (2024: Nil) were secured for bank facilities which covers loans of HK\$11,114,000 (2024: Nil) as at 31 December 2025 (note 30).

(a) Amounts recognised in consolidated statement of profit or loss for investment properties

	2025 HK\$'000	2024 HK\$'000
Rental income from operating leases (note 7)	568	922
Direct operating expenses of properties that did not generate rental income	(690)	(96)
Direct operating expenses of properties that generate rental income	(604)	(962)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

16. INVESTMENT PROPERTIES (Continued)

(b) Leasing arrangement

The investment properties were leased to tenants under operating leases with rentals prepaid 1 year in advance.

(c) Fair value of investment properties

The fair values of the investment properties of the Group as at 31 December 2025 were HK\$60,872,000 (2024: HK\$26,253,000) representing the valuation carried out by independent professionally qualified valuers.

For the year ended 31 December 2025, the fair values of investment properties with the carrying amount of HK\$11,925,000 (2024: HK\$11,822,000) is estimated by using an income capitalisation approach. Under the income capitalisation approach, fair value is estimated by applying assumptions for capitalisation rates and notional income, which are influenced by the prevailing market yields, comparable market transactions and discount rates.

The valuation takes into account the characteristics of the investment property, which include the location, size, shape, view, year of completion and other factors collectively, to arrive at the unit market price. The fair value measurement is based on the above property's highest and best use. The key significant input is the capitalisation rate. A significant increase/decrease in the capitalisation rate will result in a significant decrease/increase in the fair value of the investment properties.

For the year ended 31 December 2025, the fair values of investment properties with the carrying amount of HK\$41,931,000 (2024: Nil) is estimated by using direct comparison method. Under direct comparison method, it is assumed that each of the properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

For the year ended 31 December 2025, one of the key inputs used under direct comparison method in valuing the investment properties was the price per square meter and taking into account location and other individual factors. A significant increase/decrease in the price per square meter will result in a significant decrease/increase in the fair value of the investment properties.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Accounting policy

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Accounting policy (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Accounting policy (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to the leases in respect of office premises and staff quarters:

	2025 HK\$'000	2024 HK\$'000
Right-of-use assets		
Non-current	56,814	56,946
Lease liabilities		
Non-current	212	391
Current	1,007	1,977
	1,219	2,368

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

- (i) Amounts recognised in the consolidated statement of financial position (Continued)

Additions to right-of-use assets during the year ended 31 December 2025 was Nil (2024: HK\$450,000).

As at 31 December 2025, the Group's right-of-use assets with carrying amounts of HK\$24,498,000 (2024: HK\$23,994,000) were secured for bank facilities which covers loans of HK\$72,241,000 (2024: HK\$75,558,000) as at 31 December 2025 (note 30).

- (ii) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to the leases in respect of office premises and staff quarters:

	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets (note 8)	3,799	4,172
Interest expenses on lease liabilities (note 9)	108	137
Lease expenses relating to short-term leases of machineries and equipment (note 8)	46,818	62,561
Lease expenses relating to short-term leases and leases of low-value assets (note 8)	1,550	4,663

The total cash outflow for leases during the year ended 31 December 2025 was HK\$2,485,000 (2024: HK\$2,582,000) excluding short-term leases and leases of low-value assets.

18. GOODWILL

Accounting policy

Goodwill arises from the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken at least annually or if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and cannot be subsequently reversed.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

18. GOODWILL (Continued)

Goodwill is allocated to the Group's general construction contracting services business from Qingdao Dongjie and Qingdao Honghai.

	Qingdao Honghai HK\$'000	Qingdao Dongjie HK\$'000	Total HK\$'000
At 1 January 2024			
Cost	23,763	15,247	39,010
Accumulated impairment	–	–	–
Carrying amount	23,763	15,247	39,010
Year ended 31 December 2024			
Opening net book value	23,763	15,247	39,010
Exchange difference	(868)	(556)	(1,424)
Carrying amount	22,895	14,691	37,586
At 31 December 2024 and 1 January 2025			
Cost	22,895	14,691	37,586
Accumulated impairment	–	–	–
Carrying amount	22,895	14,691	37,586
Year ended 31 December 2025			
Opening net book value	22,895	14,691	37,586
Exchange difference	1,015	651	1,666
Carrying amount	23,910	15,342	39,252
As at 31 December 2025			
Cost	23,910	15,342	39,252
Accumulated impairment	–	–	–
Carrying amount	23,910	15,342	39,252

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

18. GOODWILL (Continued)

Goodwill is resulted from previous acquisitions of subsidiaries and businesses. The goodwill as a result of acquisitions is allocated to the CGUs that are expected to benefit from the synergies of the business combination and is monitored thereon accordingly.

For the purpose of impairment review for general construction contracting services business, the recoverable amount of goodwill is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rate stated below. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period and key assumptions include the expected growth in revenues, pre-tax discount rate and terminal growth rate.

The key assumptions are as follows:

	2025	2024
Qingdao Dongjie		
Compound annual growth rate	0%	6.9%
Discount rate	11.3%	11.3%
Terminal growth rate	0%	0%
Qingdao Honghai		
Compound annual growth rate	2.4%	13.3%
Discount rate	13.3%	13.0%
Terminal growth rate	0%	0%

The compound annual growth rate used is consistent with the forecasts to reflect the latest development of the CGU. The discount rate used is internal rate of return for financial model calculations. The growth rates do not exceed the long-term average growth rate for business which the Group operates.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

19. INTANGIBLE ASSETS

Accounting policy

(a) Licenses, software and patented technology

Licenses, software and patented technology are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortised on a straight-line basis over its useful life and carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Licenses	10 years
Software	2 – 4 years
Patented technology	10 years

(b) Contract backlogs

Contract backlogs are identified from business combination when they meet the recognition criteria as follows:

- (i) it is probable that the expected future economic benefits that are attributable to the contract backlogs will flow to the Group; and
- (ii) the cost of the contract backlogs can be measured reliably.

The contract backlogs have a finite useful life and are amortised on a straight-line basis over the periods in respect of which the related benefits are expected to be received of not more than 5 years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

19. INTANGIBLE ASSETS (Continued)

	Licenses HK\$'000	Software HK\$'000	Patented technology HK\$'000	Contract backlogs HK\$'000	Total HK\$'000
At 1 January 2024					
Cost	11,542	3,271	13,840	5,395	34,048
Accumulated amortisation and impairment	(6,237)	(2,901)	(4,152)	(5,395)	(18,685)
Net book amount	5,305	370	9,688	–	15,363
Year ended 31 December 2024					
Opening net book value	5,305	370	9,688	–	15,363
Addition	–	294	–	–	294
Amortisation charge (note 8)	(1,414)	(380)	(1,349)	–	(3,143)
Exchange differences	(40)	(12)	(327)	–	(379)
Net book amount	3,851	272	8,012	–	12,135
At 31 December 2024 and 1 January 2025					
Cost	11,081	3,439	13,334	5,071	32,925
Accumulated amortisation and impairment	(7,230)	(3,167)	(5,322)	(5,071)	(20,790)
Net book amount	3,851	272	8,012	–	12,135
Year ended 31 December 2025					
Opening net book value	3,851	272	8,012	–	12,135
Addition	–	137	–	–	137
Amortisation charge (note 8)	–	(231)	(675)	–	(906)
Exchange differences	171	10	340	–	521
Net book amount	4,022	188	7,677	–	11,887
At 31 December 2025					
Cost	11,573	3,732	13,925	5,296	34,526
Accumulated amortisation and impairment	(7,551)	(3,544)	(6,248)	(5,296)	(22,639)
Net book amount	4,022	188	7,677	–	11,887

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

20. INTEREST IN AN ASSOCIATE

Details of the Group's associate are as follows:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities	Percentage of ownership interest	
			2025	2024
Qingdao Xinfra Culture Media Co., Ltd. (青島信發文化傳媒有限公司) ("Qingdao Xinfra")	The PRC, limited liability company	Provision of cultural media management, sport and entertainment services	10%	10%

Qingdao Xinfra was incorporated on 28 June 2024. The Group is entitled to appoint a representative as director of Qingdao Xinfra and participated in its management and operation. Accordingly, Qingdao Xinfra is an associate of the Company and is accounted for using equity method in the consolidated financial statements.

21. INVENTORIES

Accounting policy

Inventories comprise building materials and are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out ("FIFO") basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

	2025 HK\$'000	2024 HK\$'000
Construction materials	39,387	18,633

Cost of inventories recognised as an expense during the year ended 31 December 2025 amounted to HK\$692,005,000 (2024: HK\$632,178,000) (note 8).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

22. TRADE, RETENTION AND NOTES RECEIVABLES AND AMOUNTS DUE FROM FELLOW SUBSIDIARIES

Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivable is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against “administrative expenses” in the consolidated statement of profit or loss.

	2025 HK\$'000	2024 HK\$'000
Trade receivables	2,002,073	1,289,969
Less: Loss allowance	(162,198)	(114,881)
Trade receivables – net	1,839,875	1,175,088
Retention receivables	101,072	84,724
Less: Loss allowance	(10,425)	(5,260)
Retention receivables – net	90,647	79,464
Note receivables	38,286	10,611
Less: Loss allowance	(916)	(868)
Note receivables – net	37,370	9,743
Trade, retention and notes receivables, net	1,967,892	1,264,295
	2025 HK\$'000	2024 HK\$'000
Amounts due from fellow subsidiaries – trade balances	1,060,423	1,205,323
Less: Loss allowance	(1,872)	(1,203)
Amounts due from fellow subsidiaries, net	1,058,551	1,204,120

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

22. TRADE, RETENTION AND NOTES RECEIVABLES AND AMOUNTS DUE FROM FELLOW SUBSIDIARIES (Continued)

The ageing analysis of the trade receivables, net of loss allowance, based on invoice date was as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	1,257,618	688,742
1 to 2 years	310,401	347,743
Over 2 years	271,856	138,603
	1,839,875	1,175,088

The ageing of the retention receivables, net of loss allowance, based on invoice date was as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	36,338	15,009
Between 1 and 5 years	54,309	62,792
Over 5 years	–	1,663
	90,647	79,464

The ageing of the notes receivables, net of loss allowance, based on invoice date as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	37,370	9,743

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

22. TRADE, RETENTION AND NOTES RECEIVABLES AND AMOUNTS DUE FROM FELLOW SUBSIDIARIES (Continued)

The ageing analysis of the amounts due from fellow subsidiaries, net of loss allowance, based on invoice date was as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	365,485	600,074
1 to 2 years	352,545	511,773
Over 2 years	340,521	92,273
	1,058,551	1,204,120

Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade, retention and notes receivables and amounts due from fellow subsidiaries.

The loss allowance for trade, retention and notes receivables and amounts due from fellow subsidiaries recognised during the current reporting period are disclosed in note 3.1(b) to the consolidated financial statements.

The Group's exposure to foreign currency risk about the impairment of trade, retention and notes receivables can be found in note 3.1(a)(i) to the consolidated financial statements.

The credit period granted to trade customers other than for retention receivables was within 30 days to 90 days for marine construction works, auxiliary marine related services and trading whereas there is generally due upon issuance of invoices to the customers for general construction services in the PRC. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The carrying amounts of trade, retention and notes receivables, and amounts due from fellow subsidiaries approximated their fair values and were denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HK\$	98,760	106,737
RMB	2,888,305	2,310,178
US\$	–	22,889
MOP	39,062	28,611
IDR	316	–
	3,026,443	2,468,415

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Deposits, prepayments and other receivables (note)	542,060	354,540
Less: Loss allowance	(27,668)	(15,997)
	514,392	338,543
Less: current	(503,995)	(319,953)
Non-current	10,397	18,590

Note: The balance mainly represents security deposits for construction projects, value-added tax receivable, tendering and other miscellaneous receivables.

24. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	2025 HK\$'000	2024 HK\$'000
Contract assets		
Provision of construction services – third parties	1,109,419	1,337,410
Provision of construction services – fellow subsidiaries	390,635	446,712
Less: Loss allowance	(89,098)	(74,290)
	1,410,956	1,709,832
Contract liabilities		
Provision of construction services	(35,784)	(43,621)

(a) Significant changes in contract assets and liabilities

Contract assets represents the amount by which the construction services performed by the Group is ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Details of the impairment assessment of contract assets are set out in note 3.1(b) to the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

24. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Revenue recognised in relation to contract liabilities

The following table presents the revenue recognised during the years ended 31 December 2025 and 2024 relates to carried-forward contract liabilities.

	2025 HK\$'000	2024 HK\$'000
Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the period	28,553	1,687
Contract liabilities at the beginning of the period	43,621	5,439

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction.

	2025 HK\$'000	2024 HK\$'000
Aggregate amount of the transaction price of long-term construction contracts that are partially or fully unsatisfied as at 31 December	3,430,606	4,442,662

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2025 and 2024 will be recognised as revenue by referencing to the progress towards completion of the contract activity.

25. JOINT ARRANGEMENT

The following sets out the joint operation indirectly undertaken by the Company as at 31 December 2025 and 2024:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities	Percentage of ownership interest	
			2025	2024
Concentric-Hong Kong River Joint Venture ("CHKRJV")	Hong Kong, unincorporated joint venture	Provision of construction services	51%	51%

Measurement is set out in note 40.2 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

26. CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash at bank and deposits held at call with banks with original maturity of three months or less. Bank deposits which are restricted to use are included in “restricted cash” of the consolidated statement of financial position. Restricted cash is excluded from cash and cash equivalents.

	2025 HK\$'000	2024 HK\$'000
Cash at bank	408,756	314,932
Less: Restricted cash (note (a))	(80,239)	(67,208)
Less: Pledged bank deposits (note (b), (c), (d))	(113,031)	(116,204)
Less: Time deposits with maturity over 3 months	–	(2,114)
Cash and cash equivalents	215,486	129,406
Maximum exposure to credit risk	408,756	314,932

Notes:

- (a) As at 31 December 2025, bank balances of HK\$80,239,000 (2024: HK\$67,208,000) have been restricted in certain banks through court's orders by certain creditors' legal actions in relation to claims for outstanding payables of the Group to the extent of HK\$101,780,000 (2024: HK\$439,513,000).
- (b) As at 31 December 2025, the Group's bank deposits of HK\$86,684,000 (2024: HK\$88,960,000) were pledged to secure bank borrowings of the Group (note 30(f)(i), (ii), (iii) and (viii)).
- (c) As at 31 December 2025, the Group's bank deposits of HK\$24,058,000 (2024: HK\$27,244,000) were pledged to secure notes payables of the Group (note 29).
- (d) As at 31 December 2025, the Group's bank deposits of HK\$2,289,000 (2024: Nil) were pledged to secure a letter of credit of the Group.
- (e) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

The carrying amounts of cash and cash equivalents, time deposits, restricted cash and pledged bank deposits were denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HK\$	39,053	30,088
RMB	368,376	282,378
US\$	46	46
MOP	3	2,140
IDR	1,278	280
	408,756	314,932

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

27. SHARE CAPITAL AND RESERVES

Accounting policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(a) Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares, authorised:		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	4,000,000,000	40,000
Ordinary shares, issued and fully paid:		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	800,000,000	8,000

(b) Nature of reserves

(i) *Share premium*

Share premium mainly includes shares issued at a premium.

(ii) *Other reserves*

Other reserves of the Group mainly represented the difference between the share capital of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

(iii) *Exchange reserve*

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) *Statutory reserve*

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiary is required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiary, the subsidiary will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

28. DEFERRED INCOME TAX (ASSETS)/LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Payables or to be settled in more than 12 months:		
Deferred income tax liabilities	11,013	11,013
Deferred income tax assets	(27,057)	(16,220)
Deferred income tax (assets)/liabilities, net	(16,044)	(5,207)

The movements in deferred income tax liabilities/(assets) during the year are as follows:

	Accelerated tax depreciation/ amortisation HK\$'000	Tax losses HK\$'000	Unrealised profits HK\$'000	Provision HK\$'000	Total HK\$'000
As at 1 January 2024	38,465	(10,570)	(1,627)	(24,370)	1,898
Credited in the consolidated statement of profit or loss (note 10)	(148)	89	10	(7,495)	(7,544)
Exchange difference	(425)	42	58	764	439
As at 31 December 2024 and 1 January 2025	37,892	(10,439)	(1,559)	(31,101)	(5,207)
Credited in the consolidated statement of profit or loss (note 10)	(583)	215	141	(9,737)	(9,964)
Exchange difference	497	(43)	(64)	(1,263)	(873)
As at 31 December 2025	37,806	(10,267)	(1,482)	(42,101)	(16,044)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2025, the Group had unrecognised tax losses of approximately HK\$191,707,000 (2024: HK\$171,585,000) that can be carried forward to offset against future taxable income. Losses amounting to HK\$168,297,000 (2024: HK\$149,198,000) have no expiry date and losses amounting to HK\$23,410,000 (2024: HK\$22,387,000) will expire within 5 years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

29. TRADE, RETENTION AND NOTES PAYABLES, ACCRUALS AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	2,367,792	2,454,888
Notes payables (note)	36,571	149,961
Retention payables	19,531	15,533
	2,423,894	2,620,382
Accruals and other payables	358,371	260,646
	2,782,265	2,881,028

Note: As at 31 December 2025, notes payables of HK\$36,571,000 (2024: HK\$149,961,000) were denominated in RMB and secured by time deposits of HK\$24,058,000 (2024: HK\$27,244,000) (note 26). The carrying amounts of notes payables approximate their fair values at the end of the reporting period.

The credit period granted for trade payables and other payables was within 30 to 90 days.

The ageing analysis of the trade payables based on invoice date was as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	1,373,267	1,327,080
Over 1 year	994,525	1,127,808
	2,367,792	2,454,888

The ageing analysis of the notes payables based on invoice date was as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	36,571	149,961

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

29. TRADE, RETENTION AND NOTES PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

In the consolidated statement of financial position, retention payables were classified as current liabilities. The ageing of the retention payables based on invoice date was as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	12,419	2,989
Between 1 year and 2 years	1,175	2,932
Between 2 years and 5 years	5,937	9,612
	19,531	15,533

The carrying amounts of trade, retention and notes payables approximated their fair values and were denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HK\$	44,611	41,831
US\$	2,986	3,085
RMB	2,345,777	2,541,713
MOP	30,520	33,753
	2,423,894	2,620,382

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

30. BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Non-current:		
Long-term bank loans (secured) (Note (f)(iv), (vi) and (vii))	83,355	350,098
Current:		
Long-term bank loans due for repayment within one year (secured) (Note (f)(iv), (vi) and (vii))	321,986	75,558
Short-term bank borrowings:		
– secured (Note (f)(i), (ii), (iii), (iv), (v), (vi), (vii) and (viii))	1,207,977	992,459
– unsecured	117,824	129,893
Other borrowings (unsecured)	–	163,217
	1,647,787	1,361,127
	1,731,142	1,711,225

Notes:

- (a) Based on the scheduled repayment terms set out in the loan agreements, the maturity of borrowings would be as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	1,579,048	1,285,569
Between 1 year and 2 years	97,636	248,999
Between 2 years and 5 years	32,230	101,099
Over 5 years	22,228	75,558
	1,731,142	1,711,225

- (b) The weighted average interest rate during the year were as follows:

	2025	2024
Short-term bank loans	4.1%	4.7%
Long-term bank loans	4.6%	4.6%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

30. BORROWINGS (Continued)

Notes: (Continued)

(c) The carrying amounts of the Group's borrowings were denominated in following currencies:

	2025 HK\$'000	2024 HK\$'000
HK\$	88,000	133,000
MOP	–	28,176
RMB	1,643,142	1,550,049
	1,731,142	1,711,225

(d) The carrying amounts of the Group's borrowings approximated their fair values as the impact of discounting is not significant.

(e) As at 31 December 2025, the Group's total undrawn banking facilities amounted to HK\$401,757,000 (2024: HK\$1,199,708,000).

(f) The Group's loan facilities are subject to annual review and secured or guaranteed by:

- (i) Project contracts executed by a subsidiary, guarantees of HK\$228,000,000 (2024: HK\$228,000,000) from the Company together with the subsidiaries and pledged deposits of HK\$10,000,000 (2024: HK\$14,063,000) from a subsidiary for bank facilities which covers loans of HK\$68,000,000 (2024: HK\$99,500,000).
- (ii) Unlimited guarantees provided by the Company for bank facilities and pledged deposits of HK\$10,003,000 (2024: HK\$10,025,000) which covers loans of HK\$20,000,000 (2024: HK\$30,000,000) as at 31 December 2025.
- (iii) Promissory note of MOP32,010,000 and guarantees by the Company and a subsidiary of the Company in total amount of MOP29,100,000 for bank facilities which covers loans of HK\$28,176,000 as at 31 December 2024.
- (iv) Group's properties, plant and equipment, right-of-use assets and investment properties with carrying amounts of HK\$90,346,000 (2024: HK\$84,251,000), HK\$24,498,000 (2024: HK\$23,994,000) and HK\$6,898,000 (2024: Nil) respectively, for bank facilities which covers loans of HK\$96,132,000 (2024: HK\$75,558,000) as at 31 December 2025.
- (v) Guarantees of HK\$186,181,000 provided by a subsidiary for bank facilities which covers loans of HK\$161,920,000 (2024: HK\$135,089,000) as at 31 December 2025.
- (vi) Unlimited guarantees provided by the ultimate holding company for bank facilities which covers loans of HK\$1,155,343,000 (2024: HK\$508,583,000) as at 31 December 2025.
- (vii) Unlimited guarantees provided by the ultimate holding company together with a subsidiary for bank facilities which covers loans of HK\$66,745,000 (2024: HK\$541,209,000) as at 31 December 2025.
- (viii) Pledged deposit for bank acceptance bills of HK\$46,679,000 from a subsidiary for bank facilities which covers loans of HK\$45,178,000 as at 31 December 2025.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

30. BORROWINGS (Continued)

Notes: (Continued)

(g) Compliance with bank covenants

As at 31 December 2025, certain bank borrowings with outstanding principal amounting to HK\$88,000,000 contained financial covenants and required the Group to meet certain financial ratio requirements.

These loan agreements require the Group to comply with financial covenants:

- i. The tangible net worth shall not be less than HK\$450,000,000;
- ii. The net debt to net worth shall not exceed 2 times; and
- iii. Net external gearing ratio shall not exceed 2x.

As at 31 December 2025, the Group has not complied with certain financial covenant requirements of bank borrowings with outstanding principal amounting to HK\$88,000,000. The non-compliance of financial covenants also triggered cross-defaults of certain other bank borrowings of the Group amounting to HK\$517,021,000 as at 31 December 2025. As a result, bank borrowings totalling HK\$605,021,000 as at 31 December 2025 have become repayable upon request by the banks and classified as current liabilities. Subsequent to the reporting date and before the date of authorisation of the consolidated financial statements for the year ended 31 December 2025, the Group has successfully obtained a waiver from a bank in respect of an outstanding principal amount of HK\$68,000,000 as at 31 December 2025.

As at 31 December 2024, the Group has not complied with certain financial covenant requirements of bank borrowings with outstanding principal amounting to HK\$129,500,000. The non-compliance of financial covenants also triggered cross-defaults of certain other bank borrowings of the Group amounting to HK\$299,041,000 as at 31 December 2024. As a result, bank borrowings totalling HK\$428,541,000 as at 31 December 2024 have become repayable upon request by the banks and classified as current liabilities.

31. CORPORATE BONDS

	2025 HK\$'000	2024 HK\$'000
Current:		
Corporate bonds	277,795	29,835

In December 2024, the Company entered into a subscription agreement with a bondholder, pursuant to which, the bondholder agreed to subscribe to corporate bonds with the principal amounts of RMB250,000,00 in total at a discount of 99.45%, in which the bonds with the principal amounts of RMB30,000,000 had been issued for proceed of HK\$29,835,000 after deducting the coupon payment in advance in December 2024 while the remaining bonds with the principal amounts of RMB220,000,000 have been issued for proceed of HK\$218,721,000 after deducting the coupon payment in advance in January 2025. Those bonds are interest-bearing at 5.95% per annum and mature within one year.

In December 2025, the Company entered into supplementary agreement with the bondholder, in which the bondholder agreed to extend the maturity of corporate bonds with the principal amounts of RMB250,000,000 for one year and adjust the interest rate to 4.95% per annum.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

32. COMMITMENTS

Operating lease rental receivable

The future aggregate minimum lease rental income under operating leases in respect of land and buildings is receivable in the following year:

	2025 HK\$'000	2024 HK\$'000
Within one year	1,193	1,171
1 – 2 years	918	1,171
2 – 5 years	322	1,223
	2,433	3,565

33. CONTINGENT LIABILITIES AND DISPUTES

Accounting policy

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(a) Contingent liabilities in relation to performance bonds of construction contracts

As at 31 December 2025, a performance bond amounted to HK\$8,616,000 (2024: HK\$8,616,000) was given by a subsidiary of the Group in respect of a construction contract in the ordinary course of business. The performance bond is expected to be released in accordance with the terms of the respective construction contract for the customer.

(b) Involvement in litigation

The subsidiaries of the Group are the two of the three defendants to a litigation in which they are alleged to have caused damage to certain facilities of the plaintiff during a typhoon in the previous years. The plaintiff is claiming damages for HK\$112 million (2024: HK\$112 million) subject to adjustments. As advised by the Group's independent legal advisor, the case is at an early stage before exchanging evidence and it is not possible to give a firm evaluation of the likelihood of the outcome or estimate the possible amount of loss, if any. Consequently, no provision in relation to the litigation has been made in the consolidated financial statements as at 31 December 2025 (2024: same).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliations of loss before income tax to net cash used in operations:

	2025 HK\$'000	2024 HK\$'000
Loss before income tax	(149,132)	(153,381)
Adjustments for:		
Provision for impairment losses on financial assets	75,583	61,298
Depreciation of property, plant and equipment	24,785	26,965
Depreciation of right-of-use assets	3,799	4,172
Depreciation of investment properties	1,347	1,345
Amortisation of intangible assets	906	3,143
Loss on disposal of plant and equipment	3,370	940
Loss on disposal of right-of-use assets	–	35
Loss on dissolution of a joint venture	–	1,826
Gain on disposal of a subsidiary	(4,928)	–
Fair value loss/(gain) on financial asset at fair value through profit or loss	1,870	(762)
Share of results of an associate	(67)	65
Finance income	(973)	(2,332)
Finance costs	107,948	85,210
Operating profit before working capital change	64,508	28,524
Changes in working capital:		
(Increase)/decrease in inventories	(19,834)	2,458
Increase in trade, retention and notes receivables	(754,784)	(104,131)
Increase in deposits, prepayments and other receivables	(177,808)	(94,375)
Increase in restricted cash	(12,453)	(47,890)
Decrease/(increase) in contract assets	282,896	(7,401)
Changes in balance with a related company	4,636	13,003
Changes in balances with fellow subsidiaries	405,453	(18,270)
Increase in amount due to ultimate holding company	–	28,923
(Decrease)/increase in trade, retention and notes payables	(205,177)	245,107
Increase/(decrease) in accruals and other payables	94,186	(56,546)
(Decrease)/increase in contract liabilities	(7,980)	37,100
Net cash (used in)/generated from operations	(326,357)	26,502

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2025 HK\$'000	2024 HK\$'000
Net book amount	13,229	1,914
Loss on disposal of property, plant and equipment (note 7)	(3,370)	(940)
Proceeds from disposal of property, plant and equipment	9,859	974

(c) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the year.

	Loan from an intermediate holding company HK\$'000	Lease liabilities HK\$'000	Borrowings HK\$'000	Amount due to non- controlling interests HK\$'000	Amount due to ultimate holding company HK\$'000	Corporate bonds HK\$'000
At 1 January 2024	145,852	3,848	1,612,683	11,045	-	-
Addition – leases	-	450	-	-	-	-
Lease modification	-	518	-	-	-	-
Cash inflows	-	-	2,064,122	-	-	29,835
Cash outflows	-	(2,582)	(1,959,323)	(13,963)	-	-
Interest paid	-	-	(46,589)	-	-	-
Other non-cash movements	-	-	-	-	-	-
Dividend (note d)	-	-	-	8,045	-	-
Interest expenses	-	137	56,656	-	-	-
Exchange difference	(953)	(3)	(16,324)	(223)	-	-
At 31 December 2024 and 1 January 2025	144,899	2,368	1,711,225	4,904	-	29,835
Lease modification	-	1,226	-	-	-	-
Cash inflows	34,672	-	1,247,407	-	234,125	218,721
Cash outflows	-	(2,485)	(1,264,926)	(4,935)	-	-
Interest paid	(7,392)	-	(45,878)	-	-	-
Other non-cash movements	-	-	-	-	34,849	-
Interest expenses	7,410	108	68,717	-	14,201	17,512
Exchange difference	(971)	2	14,597	209	9,296	11,727
At 31 December 2025	178,618	1,219	1,731,142	178	292,471	292,471

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Major non-cash transaction

During the year ended 31 December 2025, the Group has agreed with certain debtors to settle their debts of HK\$41,931,000 through acquisition of investment properties. During the year ended 31 December 2024, dividend of HK\$8,045,000 to non-controlling interests had been settled through current account.

35. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	2025 HK\$'000	2024 HK\$'000
Amounts due to non-controlling interests	178	4,904

The balances were interest-free, unsecured and repayable on demand.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

36. NON-CONTROLLING INTERESTS

Set out below is summarised financial information for Qingdao Honghai that has non-controlling interests that are material to the Group. The amounts disclosed for Qingdao Honghai are before inter-company eliminations.

	2025 HK\$'000	2024 HK\$'000
Effective non-controlling interests percentage	66%	66%
Summarised statement of financial position		
Current assets	1,234,803	1,086,060
Current liabilities	(1,194,320)	(1,022,964)
Net current assets	40,483	63,096
Non-current assets	177,824	136,348
Non-current liabilities	–	–
Net non-current assets	177,824	136,348
Net assets	218,307	199,444
Accumulated non-controlling interests	142,584	134,034
Summarised statement of comprehensive income		
Revenue	735,480	644,002
Profit for the year	9,812	14,593
Other comprehensive income	3,143	(1,657)
Total comprehensive income	12,955	12,936
Total comprehensive income attributable to non-controlling interests	8,550	8,538
Summarised statement of cash flows		
Cash flows from operating activities	1,708	(351)
Cash flows from investing activities	(2,087)	(6,247)
Cash flows from financing activities	6,832	3,730
Net increase/(decrease) in cash and cash equivalents	6,453	(2,868)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

36. NON-CONTROLLING INTERESTS (Continued)

Set out below is summarised financial information for Qingdao Dongjie that has non-controlling interests that are material to the Group. The amounts disclosed for Qingdao Dongjie before inter-company eliminations.

	2025 HK\$'000	2024 HK\$'000
Effective non-controlling interests percentage	20%	20%
Summarised statement of financial position		
Current assets	3,822,579	3,369,421
Current liabilities	(3,847,894)	(3,091,238)
Net current (liabilities)/assets	(25,315)	278,183
Non-current assets	131,052	123,023
Non-current liabilities	(84,898)	(350,098)
Net non-current assets/(liabilities)	46,154	(227,075)
Net assets	20,839	51,108
Accumulated non-controlling interests	19,234	24,551
Summarised statement of comprehensive income		
Revenue	1,105,070	981,864
Loss for the year	(31,823)	(34,505)
Other comprehensive income	5,240	(2,097)
Total comprehensive income	(26,583)	(36,602)
Total comprehensive income attributable to non-controlling interests	(5,317)	(7,320)
Dividend to non-controlling interests	–	8,045
Summarised statement of cash flows		
Cash flows from operating activities	103,747	31,151
Cash flows from investing activities	3,118	(1,179)
Cash flows from financing activities	(53,728)	60,224
Net increase in cash and cash equivalents	53,137	90,196

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2025 and 2024:

<u>Name of the related party</u>	<u>Relationship with the Group</u>
Shenzhen Changsheng Marine Engineering Limited (“Shenzhen Changsheng”)	A related company controlled by Mr. Cui Qi
West Coast Holdings (Hong Kong) Limited	An intermediate holding company of the Company
Qingdao West Coast New District Development Limited (青島西海岸新區開發建設有限公司) (“West Coast New District”)	A fellow subsidiary
Qingdao West Coast Sky Construction Development Limited (青島西海岸天業建設發展有限公司) (“West Coast Sky”)	A fellow subsidiary
Qingdao West Coast Technology Innovation Development Co., Limited (青島西海岸科創投資開發有限公司) (“West Coast Technology Innovation”)	A fellow subsidiary
Qingdao West Coast Tianze Construction Development Co., Ltd. (青島西海岸天澤建設發展有限公司) (“West Coast Tianze Construction”)	A fellow subsidiary
Qingdao Film Academy (青島電影學院)	A fellow subsidiary
Qingdao Film Museum Co., Ltd. (青島影都電影博物館有限公司) (“Qingdao Film Museum”)	A fellow subsidiary
Qingdao Yibo Hospital Limited (青島壹博醫院有限公司) (“Qingdao Yibo Hospital”)	A fellow subsidiary
Qingdao Oriental Fashion Development Limited (青島東方時尚開發建設有限公司) (“Oriental Fashion Development”)	A fellow subsidiary
Qingdao Dongfang Film and Television Industry Co., Ltd (青島東方影都影視產業管理有限公司) (“Dongfang Film and Television Industry”)	A fellow subsidiary
Qingdao Blue Valley Medical Management Limited (青島藍色醫谷醫療管理有限責任公司) (“Blue Valley Medical Management”)	A fellow subsidiary
Qingdao Linli Wanjia Investment Development Co., Ltd. (青島鄰里萬家投資發展有限公司) (“Linli Wanjia Investment Development”)	A fellow subsidiary
Qingdao Aucma Refrigeration Appliance Co., Ltd. (青島澳柯瑪製冷電器有限公司) (“Aucma Refrigeration Appliance”)	A fellow subsidiary

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (Continued)

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2025 and 2024: (Continued)

<u>Name of the related party</u>	<u>Relationship with the Group</u>
Qingdao Haiwen Commercial Management Limited (青島海文商業管理有限公司) (“Qingdao Haiwen”)	A fellow subsidiary
Qingdao Haixi Cultural Development Limited (青島海熙文化發展有限公司) (“Haixi Cultural Development”)	A fellow subsidiary
Qingdao Haifa Commercial Factoring Limited (青島海發商業保理有限公司) (“Haifa Commercial Factoring”)	A fellow subsidiary
Qingdao Haifa Commercial Management Co., Ltd. (青島海發商業管理有限公司) (“Haifa Commercial Management”)	A fellow subsidiary
Qingdao Haifa Commercial Management Co., Ltd. Xingguang Island Commercial Operation Management Branch (青島海發商業管理有限公司星光島商業運營管理分公司) (“Haifa Commercial Management (Xingguang Island Branch)”)	A fellow subsidiary
Qingdao Haifa Commercial Management Co., Ltd. Xingguang Island Commercial Operation Management Branch (青島海發商業管理有限公司黃島星海分公司) (“Haifa Commercial Management (Huangdao Xinghai Branch)”)	A fellow subsidiary
Qingdao Haifa Environmental Protection Energy Investment Co., Ltd. (青島海發環保能源投資有限公司) (“Haifa Environmental Protection”)	A fellow subsidiary
Qingdao Haifa Financial Leasing Co., Ltd. (青島海發融資租賃有限公司) (“Haifa Financial Leasing”)	A fellow subsidiary
Qingdao Haifa Hotel Management Limited (青島海發酒店管理有限公司) (“Haifa Hotel Management”)	A fellow subsidiary
China Haifa (Qingdao) Investment Co., Ltd (中交海發(青島)投資有限公司) (“Haifa Investment”)	A fellow subsidiary
Qingdao Xifa Cangmashan Construction Limited (青島西發藏馬山建設開發集團有限公司) (“Xifa Cangmashan Construction”)	A fellow subsidiary
Qingdao Xifa Commercial Factoring Co., Limited (青島西發商業保理有限公司) (“Xifa Commercial Factoring”)	A fellow subsidiary
Qingdao Rongchuang Xifa Cultural Development Limited (青島融創西發文化發展有限公司) (“Rongchuang Xifa”)	A fellow subsidiary
Qingdao Haifa Hongrui Property Management Co., Ltd. (青島海發弘睿物業管理有限公司) (“Haifa Hongrui Property”)	A fellow subsidiary
Qingdao Big Data Technology Development Limited (青島數據科技發展有限公司) (“Big Data Technology Development”)	A fellow subsidiary

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (Continued)

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2025 and 2024: (Continued)

<u>Name of the related party</u>	<u>Relationship with the Group</u>
Qingdao Haihui Wanjia Urban Services Limited (青島海惠萬家城市服務有限公司) (“Haihui Wanjia Urban Services”)	A fellow subsidiary
Wang Yonghong	A shareholder of a subsidiary
Qingdao Haiwenxinghui Exhibition Co., Ltd. (青島海文星匯會展有限公司) (“Haiwenxinghui Exhibition”)	A fellow subsidiary
Qingdao Cangmashan Rural Charm Agricultural Development Limited (青島藏馬山鄉韻農業開發有限公司) (“Cangmashan Rural Charm Agricultural”)	A fellow subsidiary
Qingdao Haifa Cangmashan Agricultural Trade Limited (青島海發藏馬山農貿有限公司) (“Haifa Cangmashan Agricultural Trade”)	A fellow subsidiary
Qingdao Xifa Cangmashan Agricultural Development Limited (青島西發藏馬山農業發展有限公司) (“Xifa Cangmashan Agricultural”)	A fellow subsidiary
Qingdao Xifa Zangmashan Agricultural Trade Co., Ltd. (青島西發藏馬山農貿有限公司) (“Xifa Agricultural Trade”)	A fellow subsidiary
Qingdao Dongqisheng Information Consulting Co., Ltd. (青島東祺晟資訊諮詢有限公司) (“Dongqisheng Information Consulting”)	A related company controlled by non-controlling interests
Qingdao Haifa Consulting Management Limited (青島海發諮詢管理有限公司) (“Haifa Consulting Management”)	A fellow subsidiary
Li Xiao	A related party
Zhao Chunliang	A related party

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions

Save as disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	2025 HK\$'000	2024 HK\$'000
Construction project income from:		
West Coast New District	19,035	40,255
West Coast Sky	10,219	85,825
West Coast Technology Innovation	108,952	76,849
West Coast Tianze Construction	342	1,226
Qingdao Film Academy	34,130	32,486
Qingdao Yibo Hospital	2,566	–
Qingdao Film Museum	37	425
Oriental Fashion Development	2,984	6,645
Dongfang Film and Television Industry	541	1,290
Blue Valley Medical Management	1,126	1,505
Linli Wanjia Investment Development	4,560	3,431
Aucma Refrigeration Appliance	–	10,251
Qingdao Haiwen	553	–
Haixi Cultural Development	11,279	–
Haifa Commercial Factoring	1	–
Haifa Commercial Management	–	3,094
Haifa Commercial Management (Xingguang Island Branch)	–	3,476
Haifa Commercial Management (Huangdao Xinghai Branch)	–	858
Haifa Environmental Protection	53,792	1,089
Haifa Financial Leasing	84	25
Haifa Investment	22,354	60,256
Haifa Hotel Management	74	–
Xifa Cangmashan Construction	–	703
Xifa Commercial Factoring	–	9
Rongchuang Xifa	–	13,141
	272,629	342,839

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions (Continued)

	2025 HK\$'000	2024 HK\$'000
Construction project costs paid to:		
Haifa Hongrui Property	246	637
Big Data Technology Development	1,411	9,974
Haihui Wanjia	1,868	–
Qingdao Yibo Hospital	222	–
	3,747	10,611
Guarantee service fee to:		
Ultimate holding company	3,272	–
Interest expenses to:		
West Coast Investment (Hong Kong) Limited (note 9)	7,410	10,017
Ultimate holding company (note 9)	14,201	–
	21,611	10,017

All of the transactions are charged at terms pursuant to the agreement as entered into between the Group and the respective related party.

Under Chapter 14A of the Listing Rules, all the above transactions constitute connected transactions of the Company.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances

	2025 HK\$'000	2024 HK\$'000	Nature
Amounts due from fellow subsidiaries (note (i))	1,057,138	1,204,120	Trade
	1,413	–	Non-trade
	1,058,551	1,204,120	
Amount due from a related party (note (ii))			
– Wang Yonghong	7,227	–	Non-trade
Amount due to ultimate holding company (note (iii))	292,471	34,849	Non-trade
Amounts due to fellow subsidiaries			
– Big Data Technology Development (note (iv))	13,491	19,912	Trade
– Haifa Hongrui Property (note (iv))	267	255	Trade
– Haiwenxinghui Exhibition (note (iv))	13	13	Trade
– Cangmashan Rural Charm Agricultural (note (iv))	146	–	Trade
– Haifa Cangmashan Agricultural Trade (note (iv))	46	–	Trade
– Xifa Cangmashan Agricultural (note (iv))	–	140	Trade
– Xifa Agricultural Trade (note (iv))	–	143	Trade
– Xifa Commercial Factoring (note (v))	–	60,010	Non-trade
– Haifa Commercial Factoring (note (v))	328,980	–	Non-trade
– Haifa Consulting Management (note (v))	60	–	Non-trade
Carrying amounts	343,003	80,473	
Amount due to related parties			
– Dongqisheng Information Consulting (note (vi))	14,220	13,696	Non-trade
– Shenzhen Changsheng (note (vi))	186	186	Non-trade
– Li Xiao (note (vi))	2,726	–	Non-trade
– Zhao Chunliang (note (vi))	1,189	–	Non-trade
	18,321	13,882	
Loans from an intermediate holding company			
– West Coast Investment (Hong Kong) Limited (note (vii))	178,618	144,899	Non-trade

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances (Continued)

Notes:

- (i) The amounts due from fellow subsidiaries were unsecured, interest-free and generally has no credit period granted. The carrying amounts of amounts due from fellow subsidiaries approximated their fair values and were denominated in RMB.
- (ii) The amount due from a related party was unsecured, interest free and repayable within one year. The carrying amount of amount due from a related party approximated its fair value and were denominated in RMB.
- (iii) The amount due to ultimate holding company was unsecured, interest-free and generally has no credit period granted. The ageing of amount due to ultimate holding company was within one year. The carrying amounts of amount due to ultimate holding company approximated their fair values and were denominated in RMB.
- (iv) The amounts due to fellow subsidiaries were unsecured, interest-free and no credit period was granted generally. The ageing of amounts due to fellow subsidiaries were within one year. The carrying amounts of amounts due to fellow subsidiaries approximated their fair values and were denominated in RMB.
- (v) The amount due to Xifa Commercial Factoring of HK\$60,010,000 represented the suppliers invoices factoring arrangement among the Group's suppliers and Xifa Commercial Factoring as at 31 December 2024. The amount due to Xifa Commercial Factoring are unsecured, interest free and repayable within one year. The carrying amount of amount due to Xifa Commercial Factoring approximated its fair value and was denominated in RMB.
- (vi) The amounts due to related parties were unsecured, interest free and repayable within one year. The carrying amount of amounts due to related parties approximated its fair value and were denominated in RMB.
- (vii) Loan from an intermediate holding company of HK\$178,618,000 (2024: HK\$144,899,000) was guaranteed by the Company with fixed interest rate at 5.70% per annum (2024: 5.70% per annum), approximated its fair value, denominated in HK\$ and is repayable in April 2026.
- (viii) The information set out in note (c) did not constitute connected transactions of the Company requiring disclosure under Chapter 14A of the Listing Rules.

(d) Transactions with key management personnel

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	2025 HK\$'000	2024 HK\$'000
Salaries, bonus, other allowances and benefits in kind	848	1,685
Pension costs – defined contribution plans	2	19
	850	1,704

The information set out in note (d) did not constitute connected transactions of the Company requiring disclosure under Chapter 14A of the Listing Rules.

38. ULTIMATE HOLDING COMPANY

Management considers that Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd. as the ultimate holding company of the Group, which is a company incorporated in the PRC and controlled by the State-owned Asset Supervision and Administration Commission of Qingdao.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2025 HK\$'000	2024 HK\$'000
ASSETS			
Non-current asset			
Property, plant and equipment		7	12
Investments in subsidiaries		105,800	105,800
Amount due from a subsidiary		231,256	–
		337,063	105,812
Current assets			
Deposits, prepayments and other receivables		207	395
Amounts due from subsidiaries		25,991	73,451
Cash and cash equivalents		41	29,963
		26,239	103,809
Total assets		363,302	209,621
EQUITY			
Capital and reserves			
Share capital		8,000	8,000
Reserves	39(b)	66,784	152,837
Total equity		74,784	160,837
LIABILITIES			
Current liabilities			
Accruals and other payables		66	3,202
Amounts due to a subsidiary		10,657	15,747
Corporate bonds		277,795	29,835
		288,518	48,784
Total equity and liabilities		363,302	209,621

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2026 and was signed on its behalf by:

Jiang Hongchang
Director

Zhou Hongbao
Director

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium (note 27(b)(i)) HK\$'000	Other reserve (note 27(b)(ii)) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	214,840	20,000	(74,860)	159,980
Loss for the year	–	–	(7,143)	(7,143)
At 31 December 2024 and 1 January 2025	214,840	20,000	(82,003)	152,837
Loss for the year	–	–	(86,053)	(86,053)
At 31 December 2025	214,840	20,000	(168,056)	66,784

40. MATERIAL ACCOUNTING POLICY INFORMATION

This note provides a list of material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

40.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

40. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

40.2 Joint arrangement

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has a joint operation.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings.

40.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of profit or loss as a bargain purchase.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

40. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

40.3 Business combinations (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss.

40.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of profit or loss.

40.5 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

40. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

40.6 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

40. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

40.6 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following category:

- (a) **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.
- (b) **measured at FVPL:** Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the profit or loss and presented net within "other losses, net" in the period in which it arises.

(iv) Impairment

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade, retention and notes receivables, amounts due from fellow subsidiaries, deposits and other receivables and cash 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. The details are disclosed in note 3.1(b).

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 represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss rate of relevant market players, 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.

For trade, retention and notes receivables, amounts due from fellow subsidiaries and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 22 for further details.

For all other instruments, the Group measures the loss allowance equal to 12-month 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, see note 23 for further details.

40. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

40.7 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

40.8 Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

40.9 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2025

40. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

40.9 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

40.10 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

40. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

40.10 Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the reporting date are discounted to present value.

40.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

An onerous contract exists where the unavoidable cost of meeting the obligations under a contract exceeds the economic benefits expected to be received under that contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The direct cost of fulfilling a contract comprises:

- the incremental costs of fulfilling that contract (for example, direct labour and materials); and
- an allocation of other costs that relate directly to fulfilling contracts

The Group recognises costs of fulfilling a contract as expense to profit or loss when the contract first became onerous.

Five Year Financial Summary

A summary of the published results and of the assets, liabilities and equity of the Group for year ended 31 December 2025 and the previous four financial years, as extracted from the Group's audited financial statements, is set out below. This summary does not form part of the Group's audited consolidated financial statements.

	Year ended 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	1,880,212	1,631,308	2,125,871	2,879,211	3,185,839
Gross profit	163,893	130,128	181,097	220,619	205,090
(Loss)/profit before income tax	(149,132)	(153,381)	(168,113)	19,754	31,195
Income tax credit/(expense)	8,840	2,670	(13,522)	(9,216)	(14,433)
(Loss)/profit for the year	(140,292)	(150,711)	(181,635)	10,538	16,762

	As at 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Non-current assets	470,934	448,603	481,762	507,010	503,292
Current assets	5,396,764	4,831,765	4,553,842	4,386,984	3,933,655
Total assets	5,867,698	5,280,368	5,035,604	4,893,994	4,436,947
Non-current liabilities	94,580	361,502	211,824	352,178	587,741
Current liabilities	5,591,580	4,613,010	4,343,305	3,917,499	3,205,807
Total liabilities	5,686,160	4,974,512	4,555,129	4,269,677	3,793,548
Total equity	181,538	305,856	480,475	624,317	643,399