



中國恒有源發展集團有限公司 CHYY DEVELOPMENT GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8128

2025 ANNUAL REPORT



Technology and Resources Links



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Corporate Information

BOARD OF DIRECTORS

Executive directors

Xu Shengheng (*Joint Chairman*)

Dai Qi

Non-executive directors

Liao Yuan (*Joint Chairman*)

Liu Ening

Zhang Yiyong

Independent non-executive directors

Zhang Honghai

Wu Qiang (Resigned on 28 March 2025)

Guan Chenghua

Guo Guanglei (Appointed on 28 March 2025)

REGISTERED OFFICE

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F., Chung Hing Commercial Building

62-63 Connaught Road Central

Central, Hong Kong

AUTHORISED REPRESENTATIVES

Xu Shengheng

Nie Dan

COMPLIANCE OFFICER

Xu Shengheng

COMPANY SECRETARY

Nie Dan

AUDIT COMMITTEE

Zhang Honghai (*Chairman*)

Wu Qiang (Resigned on 28 March 2025)

Guan Chenghua

Guo Guanglei (Appointed on 28 March 2025)

REMUNERATION COMMITTEE

Guan Chenghua (*Chairman*)

Xu Shengheng (*Deputy Chairman*)

Dai Qi (*Deputy Chairman*)

Zhang Honghai

Wu Qiang (Resigned on 28 March 2025)

Guo Guanglei (Appointed on 28 March 2025)

NOMINATION COMMITTEE

Guan Chenghua (*Chairman*)

Xu Shengheng (*Deputy Chairman*)

(Resigned on 9 December 2025)

Liao Yuan (*Deputy Chairman*)

Zhang Honghai

Wu Qiang (Resigned on 28 March 2025)

Guo Guanglei (Appointed on 28 March 2025)

Liu Ening (Appointed on 9 December 2025)

GROUP DEVELOPMENT STRATEGIC COMMITTEE

Wu Qiang (*Chairman*) (Resigned on 28 March 2025)

Guo Guanglei (*Chairman*) (Appointed on 28 March 2025)

Xu Shengheng (*Deputy Chairman*)

Liao Yuan (*Deputy Chairman*)

Dai Qi

Liu Ening

Zhang Yiyong

Zhang Honghai

Guan Chenghua

Sun Ji



Corporate Information

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586, Gardenia Court,
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

AUDITOR

Rongcheng (Hong Kong) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors
Unit 4301-4307, 43/F,
COSCO Tower,
183 Queen's Road Central
Hong Kong

STOCK CODE

8128

COMPANY WEBSITE

www.chyy.com.hk

Chairman's Statement

Dear Respected Shareholders,

We would like to express our heartfelt gratitude for your continued trust and support. On behalf of the Board of Directors of CHYY Development Group Limited (the "Company"), we extend our sincerest appreciation to all shareholders.

We are pleased to present to our shareholders the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2025 (the "Year").

During the Year, the Group recorded revenue of approximately HK\$47,835,000, representing a decrease of approximately HK\$21,800,000 compared with the corresponding period in 2024. The Group recorded a net profit of approximately HK\$6,163,000 for the Year, representing a significant decrease from 2024, primarily due to the reduction in reversal of contract assets and trade receivables.

For the Year 2025,

1. Under the guidance of more than 20 years of industrialisation practice, the Group's proprietary technologies have laid a solid foundation for transitioning towards a standardised operating model. The Group has shifted from an engineering-based approach – implementing geothermal heating projects under various geological conditions – to a channel-driven, locality-adapted regional distribution model for geothermal energy collection, as well as exclusive project agency services for integrated geothermal heat pump environmental system products. This transformation has enabled the standardised development of geothermal energy replacing fossil fuels through guaranteed heating and supplementary cooling, and heat pumps replacing boilers. Building upon traditional and clean heating, the Group has further realised third-generation geothermal green and comfortable heating, characterised by temperature-matched supply and scientific utilisation of energy according to its grade.
2. In the face of a complex and evolving market environment and energy challenges, the Board designated 2025 as the Group's "Standardisation Year". As at year-end, the Group had participated in the compilation and drafting of a total of 10 standards at or above the group level, including 2 national standards, 2 local standards, 1 industry standard and 5 association standards. The Group had also established 53 corporate standards, comprising 24 basic management standards, 11 financial management standards, 4 technical management standards and 14 performance management standards.
3. As at 31 December 2025, the Group had developed four standardised systems, covering 25 system-integrated products, 49 circulation-integrated products, 90 modular products, 201 proprietary technology products, 149 general-purpose products and 50 accessory products.

The Group continued to uphold a balanced approach between technology-driven development and market expansion, further strengthening its core competitiveness in the shallow geothermal heating sector. Through ongoing optimisation of the energy efficiency of geothermal heat pump systems, expansion of regional energy service networks, and stable operation across multiple benchmark projects, the Group maintained a steady business development momentum. These achievements would not have been possible without the dedication of all employees and, more importantly, the steadfast support of our shareholders.



Chairman's Statement

Looking ahead, the Group, through concerted efforts across all levels, has completed the industrialisation of proprietary technologies under the Beijing–Hong Kong integrated development framework, focusing on replacing fossil-fuel heating with geothermal energy. The Group further refined its development strategy, establishing a steady green-industry development pathway aligned with the national “dual-carbon” goals, and will continue to advance its work with the positioning of being a leading energy-saving and carbon-reduction enterprise. The Group’s subsidiaries will pursue accelerated professional development. Among them, Ever Source Technology Development Group, headquartered in Beijing, will focus on the industrialisation of third-generation geothermal heat pump technology featuring guaranteed heating and supplementary cooling. In the new era, heating – an essential need for 570 million population in northern China – will be upgraded from the traditional welfare-based model to a geothermal solution that provides guaranteed heating, supplementary cooling and locality-adapted application, thereby fostering a green industry that enhances the quality of life for the public.

The strategic value of green and high-efficiency geothermal heat pump heating during the “15th Five-Year Plan” period is reflected in several key dimensions:

First, it serves as a fundamental pillar of energy security. By utilising the widely available shallow geothermal resources to replace fossil fuels, and leveraging the exceptionally high efficiency of heat pumps, it provides stable support for the development of a new-type power system.

Second, it is a critical instrument for achieving the national dual-carbon goals. As buildings account for a significant share of total energy consumption, geothermal heat pumps offer the most direct and reliable carbon-reduction benefits.

Third, it represents a new engine for economic growth. It not only drives the upgrading of green industries, but also directly supports cost reduction, efficiency enhancement and modernisation across urban and rural sectors. Geothermal heat pump heating is the third-generation core technology of China’s urban-rural energy supply system, integrating the dual advantages of geothermal green substitution and high-efficiency electric heat pump utilisation. It is a key enabler for energy transition and building decarbonisation during the “15th Five-Year Plan” period (2026–2030).

From an energy-strategy perspective, it leverages shallow geothermal resources to achieve “geothermal-for-coal and geothermal-for-gas” substitution. Compared with traditional electric heating, heat pumps deliver significantly higher efficiency. When combined with the peak-shaving and valley-filling capabilities of renewable energy and energy storage, they effectively enhance energy security and support the construction of a new-type power system.

From the dual-carbon perspective, it is a principal technology for deep decarbonisation in buildings. Compared with coal-fired heating, it can reduce carbon emissions by 60%–80%, providing strong support for carbon-peaking efforts and the widespread adoption of green buildings.

From an economic-development perspective, it reduces lifecycle energy costs, drives the growth of new green productive forces and supports the upgrading of urban-rural infrastructure. It is a livelihood-enhancing initiative that delivers ecological, economic and social benefits.

Once again, we extend our sincere appreciation for your trust. In 2026, the Group will embark on a differentiated development strategy of “comprehensive and steady development at the parent-company level, and accelerated professional development at the subsidiary level”. We look forward to working hand in hand with you to build a greener and warmer future.

Xu Shengheng & Liao Yuan
Co-Chairmen of the Board

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

Income Allocation

| | 2025 | | 2024 | |
|--|---------------|------------|---------------|------------|
| | HK\$'000 | % | HK\$'000 | % |
| 1. Shallow geothermal energy utilisation system | | | | |
| Including: Supply of renewable energy | – | – | – | – |
| Engineering construction | 14,385 | 30.07 | 25,958 | 37.28 |
| Operation and maintenance | 27,930 | 58.39 | 36,960 | 53.08 |
| 2. Air conditioning/shallow geothermal heat pump | 153 | 0.32 | 709 | 1.02 |
| 3. Property investment and development | 5,367 | 11.22 | 6,002 | 8.62 |
| Total revenue | 47,835 | 100 | 69,629 | 100 |

| | 2025 | 2024 |
|---|----------|----------|
| | HK\$'000 | HK\$'000 |
| Revenue | 47,835 | 69,629 |
| Gross profit | 12,442 | 12,717 |
| (Loss)/profit before tax | (5,135) | 10,941 |
| Profit for the year | 6,163 | 11,293 |
| Research and development costs (included in the administrative expenses) | 2,743 | 822 |
| Reversal of impairment losses under expected credit loss model on trade receivables, net | 14,979 | 9,732 |
| Provision for impairment losses under expected credit loss model on other receivables and deposits, net | (4,318) | (7,120) |
| (Provision for) reversal of impairment losses under expected credit loss model on contract assets, net | (2,185) | 21,183 |

As at 31 December 2025 & 2024

| | 2025 | 2024 |
|----------------------------------|----------|----------|
| | HK\$'000 | HK\$'000 |
| Current assets | 431,929 | 457,820 |
| Total assets | 815,124 | 856,801 |
| Net current assets (liabilities) | 14,557 | (10,168) |
| Total equity | 295,305 | 284,100 |



Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 December 2025, the profit of the Group amounted to approximately HK\$6,163,000 and revenue amounted to HK\$47,835,000 as compared with the profit of the Group amounted to HK\$11,293,000 and revenue amounted to approximately HK\$69,629,000 for the year ended 31 December 2024. For more detailed information, please refer to the consolidated financial statements for the years ended 31 December 2025 and 2024.

OPERATIONAL RESULTS

Total revenue from operations for the year ended 31 December 2025 was approximately HK\$47,835,000 as compared with HK\$69,629,000 for the year ended 31 December 2024, representing a decrease of approximately 31.30%. The decrease in revenue is mainly due to decreased revenue from operation and maintenance and engineering construction projects. During the year ended 31 December 2025, the Group recorded profit of approximately HK\$6,163,000, as compared with a net profit of approximately HK\$11,293,000 for the year ended 31 December 2024. The decrease in net profit was mainly due to the decrease in the reversal of impairment losses under expected credit loss model on trade receivables and contract assets.

COST OF SALES

For the year ended 31 December 2025, cost of sales was HK\$35,393,000, a decrease of approximately 37.81% compared to HK\$56,912,000 for the year ended 31 December 2024. The decrease in cost of sales was mainly due to a decrease in revenue.

GROSS PROFITS AND GROSS PROFITS MARGIN

Gross profit from the Group's operations for the year ended 31 December 2025 was approximately HK\$12,442,000, represented the gross profit margin of 26.02% (2024: approximately HK\$12,717,000, represented the gross profit margin of 18.27%). The Group's gross profit margin for the Year increased by 42.42% compared with the same period last year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Year decreased by approximately HK\$285,000 or 9.8% compared with the year ended 31 December 2024. The selling and distribution expenses decreased mainly due to the decrease in compensation expenses as a result of the Group's reformulation of performance appraisals during the Year.

ADMINISTRATIVE EXPENSES

Administrative expenses amounted to approximately HK\$36,277,000 and HK\$39,566,000 for the years ended 31 December 2025 and 2024 respectively, representing a decrease of 8.31%. The slight decrease in administrative expenses was mainly due to the Group's commitment to continuously carrying out compensation reform, strengthening expense control, refining project independent accounting, strengthening the budget assessment system, and maintaining a steady or declining cost structure through cost reduction and efficiency improvements.

OTHER EXPENSES

Other expenses for the year ended 31 December 2025 amounted to approximately HK\$7,063,000 (2024: approximately HK\$97,000).

SHARE-BASED PAYMENT EXPENSES

During the year ended 31 December 2025, the Group had not incurred any share-based payment expenses (2024: Nil).

Management Discussion and Analysis

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2025, the Group recorded a profit attributable to owners of the Company of approximately HK\$7,118,000, representing a decrease of approximately HK\$3,641,000 compared to the profit of approximately HK\$10,759,000 for the year ended 31 December 2024.

THE GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

Net current assets of the Group as at 31 December 2025 was approximately HK\$14,557,000 (2024: net current liabilities of the Group was approximately HK\$10,168,000).

As at 31 December 2025, the Group had cash and cash equivalents of approximately HK\$38,247,000 (2024: approximately HK\$52,586,000). Cash and cash equivalents on the consolidated statement of financial position include funds available for general corporate purposes.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing certain measures. Details of which could be referred to Note 2.1 to the consolidated financial statements.

CAPITAL STRUCTURE

During the year ended 31 December 2025, the Company repurchased 34,448,000 Shares under the Repurchase Mandate on GEM for an aggregate consideration of HK\$1,382,576 (excluding transaction costs). These Shares are held as treasury Shares (as defined under the GEM Listing Rules) of the Company.

As at 31 December 2025, the authorised share capital of the Company was US\$160,000,000 divided into 16,000,000,000 ordinary shares of US\$0.01 each and the issued share capital was 4,526,925,163 ordinary shares of US\$0.01 each.

ORDER BOOK

As at 31 December 2025, the Group had contracts on hand of approximately HK\$77,000,000 (2024: approximately HK\$70,000,000).

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held during the year ended 31 December 2025.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group completed the disposal of a 20% equity interest in Zhejiang Wanhe Energy and Environmental Technology Co., Ltd. (the "Target Company") during the year ended 31 December 2025 for a consideration of RMB5,215,740. Following the disposal, the Group continues to hold a 13.2234% equity interest in the Target Company, which remains accounted for as an associate of the Group.

Save for the disposal, the Group did not undertake any other material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2025.



Management Discussion and Analysis

SEGMENTAL INFORMATION

The Group's reportable and operating segment consists of shallow geothermal energy, air conditioning/shallow geothermal heat pump, property investment and development and securities investment and trading segments.

Shallow geothermal energy

The Group has always been committed to promote the development of non-combustion emerging industry of integrated heating and cooling with geothermal energy. It is an enterprise that possesses the business capabilities of design qualification, design capability, construction qualification, construction capability, operation and maintenance, main engine production and contract geothermal energy management. The Company is also the only patent holder of the original single-well circulation heat exchange energy collection technology and owns the largest number of patented technologies in the industry. Leveraging on existing resources and integrating industrial chain service capabilities, the Group features various professional sectors. Currently, the Group has formed five major segments of planning and design, supply of renewable energy, intelligent manufacturing, engineering construction and operation and maintenance.

Air conditioning/shallow geothermal heat pump

The Group continued the promotion of its air conditioning/shallow geothermal heat pump business, compared with the same period, the decline has been significant, in view of this, the Group will continue to improve product quality, reduce costs and improve market competitiveness according to changes in market needs.

Properties investment and development

The Group continues to focus on its core businesses of shallow geothermal energy utilization system and continue to provide necessary funding to support the core business. During the Year, we have been continuously looking for suitable opportunities or third parties to dispose of the assets with relatively low returns in order to improve the capital efficiency and to supplement the working capital of the Group.

Securities investment and trading

The Group invested the idle fund for trading of securities and other types of investments in order to increase the Group's income.

Further information regarding the Group's operating segments may be referred to Note 4 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2025, our Group had a total of 193 employees (31 December 2024: 193 employees). The staff costs including directors' emoluments and excluding the share-based payment for the year ended 31 December 2025 were approximately HK\$27,489,000 (for the year ended 31 December 2024: HK\$28,915,000).

Our Group's remuneration policies are aligned with relevant legislation, market conditions and employee performance. Employees are compensated based on their job responsibilities, skills, expertise, experience, and prevailing market trends. All employees are also eligible for discretionary bonuses, which are awarded based on individual performance. We regularly review its remuneration policies and packages, making necessary adjustments to ensure they remain in line with industry standards.

The Company adopted share schemes in 2020 and 2024 respectively, as an incentive for, amongst other things, eligible directors and employees. Details of these share schemes are outlined in the section headed "Share Schemes".

The Group places great emphasis on talent development and has established a multi-tier talent pipeline to foster a learning-oriented organisation and strengthen continuous learning and professional advancement. The Group supports employees in enhancing the knowledge and skills required for their roles through pre-employment training, on-the-job training and by encouraging further education.

Management Discussion and Analysis

CHARGES ON GROUP ASSETS

As at 31 December 2025, the Group had no charges on assets.

CAPITAL COMMITMENT

The Group did not incur any significant capital commitment as at 31 December 2025 (2024: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

The Group did not have any future plans for material investments of capital asset as at 31 December 2025.

GEARING RATIO

The gearing ratio of the Group, based on net debt (including lease liabilities, trade payables, financial liabilities included in other payables and accruals, less cash and cash equivalents) to the equity (representing equity attributable to owners of the Company) plus net debt of the Group, was approximately 47.0% as at 31 December 2025 (2024: 49.0%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Company's reporting currency is in HK\$ and most of the trading transactions and cost incurred by the Group are principally denominated in HK\$ and Renminbi. The Group continued to adopt a conservative treasury policy by keeping most of the bank deposits in either HK\$ or Renminbi to minimise exposure to foreign exchange risks.

As at 31 December 2025, the Group had no foreign exchange contracts.

CONTINGENT LIABILITIES

In the ordinary course of business, the Group may from time to time be involved in legal proceedings and litigations. The Group records a liability when the Group believes that it is both probable that a loss has been incurred by the Group and the amount can be reasonably estimated. With respect to the Group's outstanding legal matters, notwithstanding that the outcome of such legal matters is inherently unpredictable and subject to uncertainties, the Group believes that, based on its current knowledge, the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on the Group's business, financial position, results of operations, or cash flows.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2025 (2024: Nil).

EVENTS AFTER THE REPORTING PERIOD

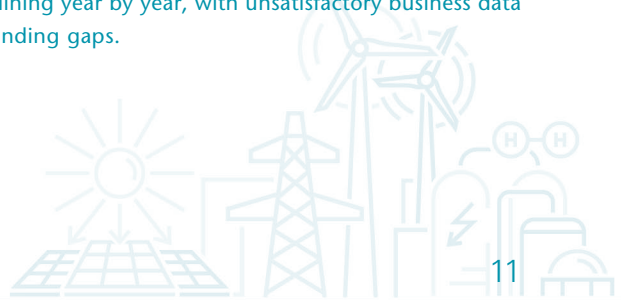
Save as disclosed in this annual report, the Group had no material subsequent events which have not been reflected in the financial statement after 31 December 2025 and up to the date of this annual report.

BUSINESS REVIEW AND OUTLOOK

The Group is committed to actively promoting efficient and clean heating using geothermal heat pumps in northern winter heating regions, and developing an emerging green industry integrating heating and cooling.

Focusing on the Company's strategic objectives, the Group actively promotes the development of customer satisfaction and market expansion across its various business segments.

In 2025, the Group recorded sales revenue of HK\$47,835,000, representing a decrease of HK\$21,800,000 from the same period last year, or a decline of 31.30%. The business scale has been declining year by year, with unsatisfactory business data performance, facing significant challenges from market pressures and funding gaps.



Management Discussion and Analysis

The Group further adjusted its business model and sales policies in the fourth quarter of 2025, progressively implementing a project agency model and the “Three-Business” general manager system in northern heating regions to drive market expansion. While advancing market development, the Group also refined independent project accounting to strengthen employees’ cost awareness and enhance the transparency of performance appraisal through public disclosure, thereby ensuring fairness.

Efficient and clean heating using geothermal heat pumps and the development of an emerging green industry integrating heating and cooling hold immense future market potential.

In October 2025, the National Development and Reform Commission and five other departments issued the “Guidance on Vigorously Implementing Renewable Energy Substitution Actions”. The guidance proposes vigorously implementing renewable energy substitution, adhering to overall planning and safe substitution, correctly handling the relationship between “breaking” and “establishing” for traditional energy and new energy, promoting integrated source-grid-load-storage development, and comprehensively enhancing the safe and reliable supply capacity of renewable energy; coordinating supply and demand, promoting orderly substitution, coordinating renewable energy supply with green energy consumption in key areas, accelerating the promotion of incremental substitution, steadily expanding stock substitution, and prudently promoting the orderly substitution of traditional fossil fuels by renewable energy.

With the development of technology and integration technologies, heating and cooling integration systems utilize mature heat pump products to transfer and transport naturally stored, widely available low-temperature thermal energy, replacing traditional fossil fuels at a cost no higher than their usage. While being environmentally friendly, they stably ensure people’s warmth in winter, coolness in summer, and domestic hot water, improving people’s quality of life.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Xu Shengheng (“Mr. Xu”), aged 63, has been appointed as an executive Director of the Company since 6 February 2009. Mr. Xu is the joint chairman of the Board of Directors and an executive Director, the deputy chairman of Remuneration Committee, the deputy chairman of Nomination Committee (resigned on 9 December 2025), the deputy chairman of Group Development Strategic Committee, the compliance officer and the authorised representative of the Company. Mr. Xu holds the title of Senior Engineer and a doctoral degree of Geological Engineering from the China University of Geosciences (Beijing) (中國地質大學(北京)) and a Master degree of Business Administration in International EMBA from Hong Kong University of Science and Technology. Mr. Xu has long been engaged in the field of heating provision and is committed to the preferred shallow geothermal energy as an alternative energy source for northern heating. By physical change process to provide heating for buildings with heating area free of combustion and zero emissions. The original single-well circulation heat exchange of renewable geothermal energy collection technology developed by Mr. Xu has realized the industrialization development and is one of the low-temperature heat (shallow geothermal energy) collection technology of the integrated heating/cooling emerging industry of the Group. Mr. Xu is currently also a director of certain subsidiaries of the Company.

Mr. Dai Qi (“Mr. Dai”), aged 43, was appointed as a non-executive Director of the Company on 12 August 2013 and was redesignated to executive Director since 29 December 2016. Mr. Dai is the deputy chairman of Remuneration Committee, and a member of Group Development Strategic Committee. He currently also serves as the Executive Vice President of the Company, the Vice President of Ever Source Science and Technology Development Group Co., Ltd.* (恒有源科技發展集團有限公司) (“HYT Technology”), a subsidiary of the Group, and the General Manager of the Business Department I (Handan Region). Mr. Dai holds a master’s degree of Management from Southwest Jiaotong University (西南交通大學). Previously, he worked at Beijing Dongcheng Branch of Shenzhen Development Bank (深圳發展銀行) and Strategic Management Department of China Energy Conservation Investment Company Limited (中國節能投資公司) and Strategic Management Department of China Energy Conservation and Environmental Protection Group. Besides, he acted as deputy general manager of Investment and Capital Operation Department of China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited. After joining the Company, he served as the administrative director of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Liao Yuan (“Mr. Liao”), aged 55, has been appointed as a non-executive Director of the Company since 5 July 2023, and has been appointed as the joint chairman of the Board since 28 August 2024 to collaborate with Mr. Xu to further advance the work of the Board with a particular focus on the Company’s strategic planning and development efforts aimed at supporting the achievement of the “dual carbon” goals. Mr. Liao is also the deputy chairman of Nomination Committee and the deputy chairman of Group Development Strategic Committee of the Company. Mr. Liao is a Senior Accountant, and holds a bachelor’s degree in Human Resources from BEIJING JIAOTONG UNIVERSITY* (北京交通大學) and a postgraduate certificate in Business Administration from DONGBEI UNIVERSITY OF FINANCE & ECONOMICS* (東北財經大學). He has been worked in COFCO Corporation* (中穀糧油集團公司) and CHINA LIGHT INDUSTRIAL CORPORATION FOR FOREIGN ECONOMIC AND TECHNICAL COOPERATION* (中國輕工業對外經濟技術合作公司). Mr. Liao joined China Energy Conservation and Environmental Protection Group since 2009, he successively served as the officer of the Comprehensive Finance Department and the deputy chief accountant of Zhongjie Blue Sky Investment Consulting Management Company Limited* (中節藍天投資諮詢管理有限責任公司) and the deputy general manager, the officer of the Operation Department and general manager of China Energy Conservation Consulting Company Limited* (中節能諮詢有限公司). Since 2020, he successively worked in China Energy Conservation and Environmental Protection Ecological Products Development Research Center Company Limited* (中節能生態產品發展研究中心有限公司), China Energy Conservation and Environmental Protection Green Development Research Institute* (中節能綠色發展研究院), China Energy Conservation and Environmental Protection Consulting Company Limited* (中節能諮詢有限公司) and China Energy Conservation and Environmental Protection Carbon Peak Carbon Neutrality Research Institute* (中節能碳達峰碳中和研究院). Currently, he is the general manager of China Energy Conservation and Environmental Protection Ecological Products Development Research Center Company Limited* (中節能生態產品發展研究中心有限公司), the executive dean of China Energy Conservation and Environmental Protection Green Development Research Institute* (中節能綠色發展研究院), the executive dean of China Energy Conservation and Environmental Protection Carbon Peak Carbon Neutrality Research Institute* (中節能碳達峰碳中和研究院), the executive director and general manager of China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited* (中國節能環保(香港)投資有限公司), the chairman of CECEP Environmental Consulting Group Limited (CECEPEC) and the deputy secretary-general of the Climate Investment and Financing Committee of the Chinese Society for Environmental Sciences.

Biography of Directors and Senior Management

Ms. Liu Ening (“Ms. Liu”), aged 46, has been appointed as a non-executive Director of the Company since 12 March 2021. Ms. Liu is a member of Group Development Strategic Committee of the Company, and was appointed as the member of the Nomination Committee on 9 December 2025. She acted as an alternate Director to Mr. Wang Michael Zhiyu during the period from 14 November 2019 to 11 March 2021 in the Company. Ms. Liu graduated from The RAFFLES-BICT International College (北京服裝學院萊佛士國際學院) in 2004 with a bachelor degree in business administration. From 2004 to 2010, she worked as an administrative manager in Beijing Shuntian Green Slope Technology Co., Ltd.* (北京順天綠色邊坡科技有限公司). Since 2010, she has been the deputy manager and manager of the media operation department in Beijing Tomorrow Sunshine Advertising Co., Ltd.* (北京明日陽光廣告有限公司) responsible for media promotion and operation management. Ms. Liu has extensive experience in marketing and management, and she also has extensive investment experience in the education industry and environmental protection industry.

Mr. Zhang Yiyang (“Mr. Zhang”), aged 53, has been appointed as a non-executive Director of the Company since 16 January 2020. Mr. Zhang is a member of Group Development Strategic Committee of the Company. Mr. Zhang graduated from Capital University of Economics and Business (首都經濟貿易大學), majoring in accounting. From 1994 to 2005, Mr. Zhang worked as the manager of Credit Department at Beijing Branch of China Construction Bank (中國建設銀行). From 2005 to 2009, he worked as assistant to the chairman and manager of the investment department at Neo-China Land Group (Holdings) Limited* (中新地產集團(控股)有限公司). From 2009 to 2019, he worked as a project manager and investment manager in Xi’an project of Longisland Investment Group (HK) Limited (長島投資集團(香港)有限公司). From 2019 till now, he has been a director and manager of Xi’an Baoshihua Regional Energy Technology Co., Limited* (西安寶石花區域能源科技有限公司). Mr. Zhang has extensive experience in real estate project development and engineering, as well as extensive management and investment experience.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Honghai (“Mr. Zhang”), aged 73, has been appointed as an independent non-executive Director of the Company since 10 November 2023. Mr. Zhang is the chairman of Audit Committee, the member of Remuneration Committee and Nomination Committee and Group Development Strategic Committee of the Company. From September 2014 to January 2017, Mr. Zhang was the independent non-executive Director of the Company. Mr. Zhang graduated from Peking University (北京大學) in 1982 and subsequently completed a postgraduate programme at the International Business School of Hunan University (湖南大學) and was awarded a master degree and the title of Senior Economist. Mr. Zhang also holds an EMBA degree from Guanghua School of Management, Peking University (北京大學光華管理學院). Mr. Zhang has extensive experience in corporate management, including accounting and financial management, having worked in government department, state-owned enterprises and institutions, and listed companies. He has served as director of the Foreign Affairs Office of the People’s Government of Beijing Municipality and Hong Kong and Macao Affairs Office of the People’s Government of Beijing Municipality (北京市人民政府外事辦公室暨北京市人民政府港澳事務辦公室). Additionally, he served as vice president of Beijing-Chinese Overseas Friendship Association (北京海外聯誼會). From 1990 to 1998, Mr. Zhang worked as deputy general manager, then was promoted to vice chairman and general manager of Beijing International Trust Investment Limited* (北京國際信託投資有限公司). Mr. Zhang has served as (i) an executive director and vice chairman of Beijing Enterprises Holdings Limited (北京控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 392); (ii) an executive director and chairman of Beijing Enterprises Water Group Limited (北控水務集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 371); (iii) an executive director of Beijing Enterprises Environment Group Limited (北京控股環境集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 154); and (iv) an executive director and chairman of BEP International Holdings Limited (新源萬恒控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2326).

Biography of Directors and Senior Management

Mr. Wu Qiang (“Mr. Wu”), aged 66, has been appointed as an independent non-executive Director of the Company since 29 December 2016 and resigned as an independent non-executive Director as well as the chairman of the Group Development Strategic Committee, the members of Audit Committee, Remuneration Committee and Nomination Committee on 28 March 2025. Mr. Wu graduated from China University of Geosciences (Beijing) (中國地質大學(北京)) in 1991 and obtained the doctoral degree in Engineering. Mr. Wu is currently a professor of China University of Mining & Technology (Beijing) (中國礦業大學(北京)) and the academican of China Academy of Engineering. Mr. Wu was honored with the “Li Siguang Geological Science Award” and received many honorable titles including the leader of Chang Jiang Scholars Program of the Ministry of Education, one of ten winners of the first “Outstanding Postdoctoral Award of China”, “National Outstanding Teacher” and the State-selected candidate of the first project of “Hundreds, Thousands, and Ten Thousands of Talents for the New Century” of the Ministry of Education. In addition, he is one of the recipients of special government allowance granted by the State Council, and is the deputy chairman of International Mine Water Association (IMWA), the president of national committee of IMWA China and one of the associate editor of Mine Water and the Environment, the SCI-indexed journal. He also serves as a member of the National Committee of the China Association for Science and Technology* (中國科學技術協會), a former member of Commission of Technology under the State Administration of Work Safety* (國家安全生產監督管理總局) and the head of “Expert Panel On Hydrogeology” under the State Administration of Coal Mine Safety* (國家煤礦安全監察局).

Mr. Wu has published many books and over 300 academic articles. His works were honored with three Second Class Awards of National Science and Technology Progress Award, 10 first class awards of provincial award, while nearly 50 invention patents were granted by the United States, Hong Kong and China and 27 national software copyrights were granted. He worked as the chief editor for preparation of a number of reference books, such as national technology standards and manuals. The research team under his leadership was awarded Outstanding Innovation Team of the Ministry of Education and the “Team of Safety in Mines” of China Association for Science and Technology.

Mr. Guan Chenghua (“Mr. Guan”), aged 57, has been appointed as an independent non-executive Director of the Company since 28 March 2020. Mr. Guan is the chairman of Remuneration Committee and Nomination Committee, the member of Audit Committee and Group Development Strategic Committee of the Company. Mr. Guan graduated from Law School of Peking University (北京大學) in 2005 with a doctoral degree in law and holds an EMBA degree from Cheung Kong Graduate School of Business. He is currently a professor and doctoral supervisor of The Institute of Economics and Resource Management of Beijing Normal University (北京師範大學). He had served as teaching assistant, lecturer, associate professor and associate dean of School of Marxism of Peking University (北京大學), senior visiting scholar at Kennedy School and Law School of Harvard University, the dean of Innovation and Entrepreneurship College of Xihua University, the dean of The Institute of Economics and Resource Management of Beijing Normal University (北京師範大學), the secretary of Beijing Changping District Committee of the Communist Party of China, and the secretary of The Communist Youth League Beijing Municipal Committee. Mr. Guan is also currently the deputy director of The University Council of Beijing Normal University (北京師範大學), the president of Capital Institute of Science and Technology Development Strategy, the director of United Nations Industrial Development Organization (UNIDO) Green Industry Platform (GIP) China Chapter, a committee member of Beijing Municipal Government Expert Advisory Board, the dean of China Institute of Innovation and Development (CIID) of Beijing Normal University (北京師範大學), the chairman of the Zhuhai Institute for Private Economy Research, an independent director of Beijing Life Insurance Co., Ltd.* (北京人壽保險股份有限公司) etc., as well as the Director of Suning.com Co. Ltd.* (蘇寧易購集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002024). Mr. Guan has long been engaged in teaching and research at high-level universities, and has extensive local government work experience. He has also published a number of monographs covering different topics such as education and talent training, city innovation, green economy and development.



Biography of Directors and Senior Management

Mr. Guo Guanglei (“Mr. Guo”), aged 62, has been appointed as an independent non-executive Director of the Company, the member of the Audit Committee, the Remuneration Committee and the Nomination Committee, as well as the Chairman of the Group Development Strategic Committee since 28 March 2025. Mr. Guo holds a bachelor of Science degree in Microbiology from Shanxi University (山西大學), a master’s degree in Finance from Peking University (北京大學), and a doctorate in Management Science and Engineering from the University of Science and Technology of China (中國科技大學). Mr. Guo has previously held various significant positions, including deputy secretary of the Youth League Committee at the Beijing Water Authority, deputy minister and standing committee member of the Beijing Youth League Committee, deputy secretary of the Beijing Financial Work Committee, deputy secretary of the Mentougou District Party Committee in Beijing, and secretary and director of the Beijing Rural Economic Research Center (Beijing Agricultural Economics Office). Since 2018, Mr. Guo has been serving as the executive director and chairman of Beijing Life Insurance Co., Ltd* (北京人壽保險股份有限公司). He possesses extensive leadership experience and strategic planning capabilities in the fields of rural economic research, financial management, and administrative management.

SENIOR MANAGEMENT

Mr. Yang Mingzhong (“Mr. Yang”), aged 47, currently serves as the Chief Executive Officer of the Company, and as the President, the Chief Engineer and the Director of the General Manager’s Office for the “Three-Service” Operations of HYY Technology, being responsible for the overall operation and management. Mr. Yang possesses qualifications as a Senior Engineer (Engineering Design and Construction), a PRC Registered Utility Engineer (Heating, Ventilation and Air Conditioning), and a Registered First-Class Constructor (Mechanical and Electrical Engineering). He graduated with a bachelor’s degree in Building Environment and Equipment Engineering from Harbin Institute of Technology in 2001 and joined HYY Technology in January 2003. He has successively held the positions of Vice President of HYY Technology, System Design Director and Executive Vice President of the Company. Mr. Yang has extensive experience in HVAC mechanical and electrical design and construction management, specializing in the comprehensive application of ground energy heating system technology, and boasts rich expertise in business management.

Mr. Zhang Wei (“Mr. Zhang”), aged 52, currently serves as the Executive Vice President of the Company, and as the Vice President, the General Manager of the Operations and Maintenance Centre, the Deputy Director of the General Manager’s Office for the “Three-Service” Operations, and the Director of the Safety and Health Department of HYY Technology, being responsible for supporting the CEO in overseeing the overall business operations. Mr. Zhang holds a bachelor’s degree in Agricultural and Water Resources Engineering from China Agricultural University and a title of Engineer. Mr. Zhang has served as deputy director of Beijing Fengtai District Water Bureau, a general manager of Lingnan Water Group Limited and a general manager of Sponge City Investment Co., Ltd.. After joining the Company, he has successively served as Executive Vice President, Deputy Chief Engineer and Chief Operating Officer of the Company, Deputy General Manager of HYY Technology, Deputy General Manager of the Engineering Center, Deputy General Manager and Chief Engineer of Beijing Ever Source Geothermal Energy Heating and Cooling Technology Service Co., Ltd.* (北京恒有源地能熱冷技術服務公司), General Manager of Beijing Ever Source Environmental System Equipment Installation Engineering Co., Ltd.* (北京恒有源環境系統設備安裝工程有限公司), and General Manager of Ever Source Science and Technology Development Group Pizhou Co., Ltd.* (恒有源科技發展集團邳州有限公司).

Biography of Directors and Senior Management

Mr. Pan Ya (“Mr. Pan”), aged 49, currently serves as the Financial Officer of the Company and HYY Technology, being responsible for the financial management of the Group. Mr. Pan is a Senior Accountant and a PRC Certified Tax Agent. He graduated with a Bachelor’s degree in Accounting from Nanjing University of Finance and Economics (formerly known as Nanjing College of Economics). Starting his career in August 1999, he has been engaged in financial accounting and management for an extended period. He previously served as an accountant at the Welfare Enterprise Management Office of the Civil Affairs Bureau in Gulou District, Xuzhou, Jiangsu, and as a supervising accountant at Tietong Huaihai Telecommunication Information Co., Ltd. He joined HYY Technology in April 2004 and has successively held the positions of Financial Director of HYY Technology’s Joint Ventures, Director of the Financial Office of the Company, Deputy Chief Financial Officer of the Company, Financial Director of HYY Technology, Chief Financial Officer of the Company and the Financial Officer of the Group’s geothermal industry.

Ms. Nie Dan (“Ms. Nie”), aged 44, currently serves as the Chief Legal Officer, the Executive Vice President, the Company Secretary and the Authorized Representative of the Company, being responsible for the management of legal affairs and human resources of the Group, and the management of Hong Kong regional subsidiaries. Ms. Nie is a PRC lawyer. She holds a Bachelor of Laws from China University of Political Science and Law, a Master of Laws from City University of Hong Kong and a Master of Business Administration from Hong Kong Metropolitan University. She joined the Company in July 2011 and has successively held the positions of Deputy Director of Administration, Director of Human Resources and Deputy Director of Legal Affairs, Director of Legal Affairs and Human Resources and Assistant to the President.

Ms. Liu Baohong (“Ms. Liu”), aged 43, currently serves as the Executive Vice President of the Company and as the Vice President of HYY Technology, being responsible for the manufacturing and production of complete heat pump system products. Ms. Liu is an Engineer. She graduated with a Bachelor’s degree in Building Environment and Equipment Engineering from North China University of Science and Technology in 2006. She joined HYY Technology in 2007 and has successively held the positions of Designer, Director of the Design Office and Assistant to the President of HYY Technology, and the Chief Product Officer of the Company.

Mr. Wang Xuezhi (“Mr. Wang”), aged 43, currently serves as the Executive Vice President of the Company and as the Vice President of HYY Technology, being responsible for the production of complete geothermal energy collection system products and proprietary technology products. Mr. Wang graduated with a Bachelor’s degree in Automation from Beijing University of Technology in 2005. He joined HYY Technology in 2005 and has successively served as a Technician in the Technology Center of HYY Technology, a Quality Inspector and Manager of Beijing Yuanquan Drilling Engineering Co., Ltd.* (北京源泉鑽井工程有限公司), and the Manager of the Yuanquan Energy Branch of HYY Technology.

Mr. Li Daqiu (“Mr. Li”), aged 42, currently serves as the Executive Vice President of the Company, the Vice President of HYY Technology, the General Manager of Weiyun (Beijing) Heat Pump Heating and Cooling Big Data Service Co., Ltd.* (維運(北京)熱泵暖冷大數據服務有限公司), and the General Manager of HYY Investment Management Co., Ltd.* (恒有源投資管理有限公司), being responsible for the development and operation of the heat pump big data platform and investment activities. Mr. Li graduated from Hong Kong Baptist University in 2009 with a Bachelor’s degree in Computer Science, and graduated from the Hong Kong University of Science and Technology in 2010 with a Master’s degree in Engineering Management. He joined HYY Technology in 2010 and has successively held positions such as the manager of Beijing Yuanquan Drilling Engineering Co., Ltd.* (北京源泉鑽井工程有限公司), and the manager of Beijing Ever Source Environmental System Equipment Installation Engineering Co., Ltd.* (北京恒有源環境系統設備安裝工程有限公司).

* For identification purpose only



Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2025 (the “Year”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in Note 1 to the consolidated financial statements.

An analysis of the Group’s performance for the Year by business segments are set out in Note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group’s results for the Year and the Group’s financial position as at the end of the Year are set out in the consolidated financial statements.

The Board has resolved not to recommend the payment of a final dividend for the Year.

BUSINESS REVIEW

A review of the Group’s business for the Year and a discussion on its future business development are set out in the section headed “Management Discussion and Analysis” of this annual report.

A summary of the Group’s performance for the Year is provided in the sections headed “Financial Highlights” and “Five-Year Financial Summary”, respectively.

Details of the Group’s financial risk management objectives and policies are disclosed in Note 43 to the consolidated financial statements.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees, suppliers and customers are crucial for the Group’s sustainable development.

We strive to maintain a close relationship with our employees and provide them with a competitive remuneration package and opportunities within the Group for career advancement. We commit to provide high quality products and services to our customers in order to enhance our competitiveness and strengthen the cooperation with our suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s principal risks and uncertainties span operational, financial, compliance and ESG-related areas, with relevant disclosures set out in the management discussion and analysis, the notes to the consolidated financial statements, the corporate governance report of this annual report, and the Company’s separately published ESG report. The Board has reviewed the Group’s risk management and internal control systems and confirms that the above sections adequately reflect the key risks faced by the Group. The Group will continue to monitor changes in its risk profile and update the relevant disclosures in accordance with regulatory requirements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on its business and operations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmentally friendly corporation that places strong emphasis on conserving natural resources. We encourage environmental protection and promote environmental awareness among our employees. The Group adheres to the principles of recycling and reduction with a view to minimising the environmental impact arising from our operations.

As a corporation engaged in the research, development and promotion of shallow geothermal energy as an alternative energy source for building heating, we have installed our Ground Energy Heat Pump Environmental System and/or Ground Energy Heating Devices in most of our offices in China to provide heating and cooling. These systems have achieved substantial electricity savings and helped reduce environmental pollution.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in its operations to enhance environmental sustainability.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for approximately 37.29% (2024: 33.03%) of the total sales for the Year and sales to the largest customer included therein amounted to approximately 8.38% (2024: 9.67%); purchases from the Group's five largest suppliers accounted for approximately 35.84% (2024: 36.97%) of the total purchases for the Year and purchases from the largest supplier included therein amounted to approximately 17.19% (2024: 21.60%).

To the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders who own more than 5% of the Company's issued Shares (excluding treasury Shares), had any beneficial interest in the Group's five largest customers and/or its five largest suppliers during the Year.

PROPERTY, PLANT AND EQUIPMENT

The Group's land and buildings were revalued as at 31 December 2025. The revaluation resulted in a total loss of approximately HK\$2,507,000, which has been charged directly to the asset revaluation reserve.

Details of the movements during the Year in the property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

At the end of the Year, the Group had no outstanding loans.

INVESTMENT PROPERTIES

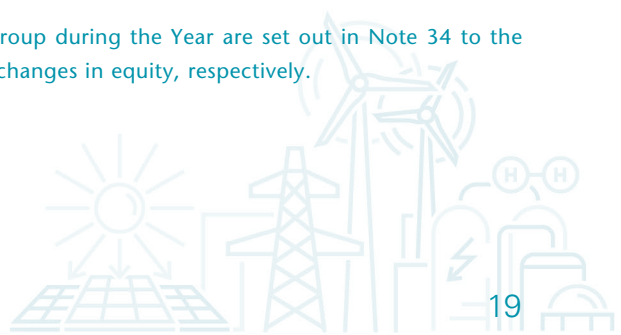
The Group revalued all of its investment properties at the end of the Year. There was a decrease in fair value with amount of HK\$1,145,000 during the Year. Most of these investment properties are intended to be developed as the Group's self-built demonstration leasing project with the application of shallow geothermal energy.

SHARE CAPITAL

Details of movements in share capital of the Company during the Year, together with the reasons therefore, are set out in Notes 32 to the consolidated financial statements.

OTHER RESERVES

Details of movements in the other reserves of the Company and the Group during the Year are set out in Note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.



Report of the Directors

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares. As at 31 December 2025, the Company did not have any reserve available for distribution after net off the accumulated losses of the Company (2024: Nil).

CONNECTED TRANSACTION

The Company did not have any connected transactions which were subject to the requirement under Chapter 20 of the GEM Listing Rules during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the Year are set out in Note 40 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the Year and up to the date of this report were/are as follows:

Executive Directors:

Mr. Xu Shengheng (*Joint Chairman*)
Mr. Dai Qi

Non-executive Directors:

Mr. Liao Yuan (*Joint Chairman*)
Ms. Liu Ening
Mr. Zhang Yiying

Independent non-executive Directors:

Mr. Zhang Honghai
Mr. Wu Qiang (Resigned on 28 March 2025)
Mr. Guan Chenghua
Mr. Guo Guanglei (Appointed on 28 March 2025)

In accordance with Article 85 of the Articles of Association, Mr. Xu Shengheng, Mr. Dai Qi and Mr. Liao Yuan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

UPDATE ON DIRECTORS' INFORMATION

The changes in our Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

- 1) Mr. Wu Qiang has resigned as an Independent Non-executive Director of the Company, the member of the Audit Committee, the Remuneration Committee and the Nomination Committee, as well as the Chairman of the Group Development Strategic Committee with effect from 28 March 2025.
- 2) Mr. Guo Guanglei has been appointed as an Independent Non-executive Director of the Company, the member of the Audit Committee, the Remuneration Committee and the Nomination Committee, as well as the Chairman of the Group Development Strategic Committee with effect from 28 March 2025.

Report of the Directors

- 3) Ms. Liu Ening, a non-executive Director, has been appointed as a member of the Nomination Committee with effect from 9 December 2025.
- 4) Mr. Xu Shengheng, an executive Director, cased to be a deputy chairman of the Nomination Committee with effect from 9 December 2025.

Save as disclosed above and elsewhere in this report, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules during the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group through the Year.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "Biography of Directors and Senior Management" of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, which shall automatically renew for successive terms of three years upon expiry, commencing from the date of his appointment as an executive Director. Such service agreements may be terminated only in accordance with their terms or by either party giving not less than three (3) months' prior written notice to the other.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for an initial term of two years, which shall automatically renew for successive terms of two years upon expiry, commencing from the date of his appointment as a non-executive Director or an independent non-executive Director. Such appointment letters may be terminated only in accordance with their terms or by either party giving not less than three (3) months' prior written notice to the other.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company, which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

COMPETING INTERESTS

During the Year, so far as the Directors are aware, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused any conflicts of interest with the Group.



Report of the Directors

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 8 and 9 to the consolidated financial statements.

None of directors and five highest paid individuals were paid during the Year or receivable as an inducement to join or upon joining the Group.

None of directors and five highest paid individuals were paid during the Year or receivable for the loss of any office in connection with the management of the affairs of any member of the Group distinguishing between contractual payments and other payments.

None of directors has waived or agreed to waive their emolument during the Year.

REMUNERATION POLICY

The Remuneration Committee is set up by the Board to formulate a remuneration policy for approval by the Board, which will take into consideration factors such as corporate result, individual capability and performance, salaries paid by comparable companies, employment conditions, time commitment and responsibilities, and individual performance of the Directors, senior management and the general staff of the Company.

The Company adopted share schemes in 2020 and 2024 respectively, as an incentive for, amongst other things, eligible directors and employees. Details of these share schemes are outlined in the section headed "Share Schemes".

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.

PENSION SCHEMES

The Group operates only defined contribution schemes and does not have any defined benefit plans.

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO") for the benefit of its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees.

During the Year, in accordance with the statutory limits prescribed by the MPFSO, both the Group and its employees contribute 5% (2024: 5%) of the employees' relevant income to the MPF Scheme, subject to a maximum monthly contribution of HK\$1,500 per employee (2024: HK\$1,500). Contributions made by the Group to the MPF Scheme are fully and immediately vested in the employees upon payment.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group participates in defined contribution schemes arranged by the local government labour and security authorities ("PRC Retirement Schemes") for the employees of the Group's subsidiaries in the PRC. The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government authorities. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

As all contributions made by the Group under both the MPF Scheme and the PRC Retirement Schemes are fully vested immediately in the employees, there were no forfeited contributions available to reduce the Group's existing level of contributions during the Year or at the end of the Year.

Report of the Directors

DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transaction" and "Related Party Transactions" in this report, there were no transactions, arrangements or contracts that were significant in relation to the businesses of the Company and its subsidiaries, to which either the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisting at the end of the Year or at any time during the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance (whether for the provision of services to the Group or otherwise) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Controlling Shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, at any time during the Year or subsisted at the end of the Year.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At the end of the Year, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of Directors and the Chief Executive in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) at the end of the Year were as follows:

| Name | Capacity | Number of Ordinary Shares of the Company | % of the Issued Voting Shares of the Company ⁽¹⁾ |
|------------------------------------|---|--|---|
| Directors | | | |
| Mr. Xu Shengheng (徐生恒先生) | Beneficial Owner | 722,170,600 | |
| | Interest of Spouse ⁽²⁾ | 982,800 | 16.09% |
| Ms. Liu Ening (劉嫻寧女士) | Beneficial Owner | 253,000,000 | 5.63% |
| Mr. Zhang Yiyang (張軼穎先生) | Beneficial Owner | 5,504,000 | |
| | Interest of Controlled Corporation ⁽³⁾ | 250,000,000 | 5.69% |
| Mr. Wu Qiang (武強先生) ⁽⁴⁾ | Beneficial Owner | 5,000,000 | 0.11% |
| Mr. Guan Chenhua (關成華先生) | Beneficial Owner | 5,000,000 | 0.11% |
| Chief Executive | | | |
| Mr. Yang Mingzhong (楊明忠先生) | Beneficial Owner | 2,000,000 | 0.04% |

Notes:

(1) At the end of the Year, the total number of issued Shares of the Company was 4,526,925,163 Shares. After excluding 33,384,000 treasury Shares without voting rights, the total number of issued Shares with voting rights was 4,493,541,163 Shares.

(2) The interests are beneficially held by Ms. Luk Hoi Man (陸海汶女士), the spouse of Mr. Xu Shengheng, comprising 982,800 Shares. Pursuant to the SFO, Mr. Xu Shengheng is deemed to be interested in all the interests held by Ms. Luk Hoi Man (陸海汶女士).

Report of the Directors

(3) The interests are beneficially held by Universal Zone Limited, which is wholly owned by Mr. Zhang Yiyong. Pursuant to the SFO, Mr. Zhang Yiyong is deemed to be interested in all the shares held by Universal Zone Limited.

(4) Mr. Wu Qiang was resigned as an Independent Non-executive Director of the Company with effect from 28 March 2025.

Each of the other Directors, namely Mr. Liao Yuan, Mr. Dai Qi, Mr. Zhang Honghai and Mr. Guo Guanglei have confirmed that they had no interests in the shares of the Company or any of its associated corporations at the end of the Year.

None of the Directors or the Chief Executive had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations at the end of the Year.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Directors or the Chief Executive had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations at the end of the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the sections headed "Interests of Directors and Chief Executive" and "Share Schemes" of this report, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, nor were any such rights exercised by them, nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as the Directors are aware, at the end of the Year, the following persons (other than directors or chief executives of the Company) have or are deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

1. Aggregate long position in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' and other persons' interests in the shares of the Company at the end of the Year:

| Name | Capacity | Number of Ordinary Shares of the Company | % of the Issued Voting Shares of the Company ⁽¹⁾ |
|---|------------------------------------|--|---|
| China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited* (中國節能環保(香港)投資有限公司) ⁽²⁾ | Beneficial Owner | 1,190,000,000 | 26.48% |
| China Energy Conservation and Environmental Protection Group* (中國節能環保集團有限公司) ⁽²⁾ | Interest of Controlled Corporation | 1,190,000,000 | 26.48% |
| Ms. Luk Hoi Man (陸海汶女士) | Beneficial Owner | 982,800 | |
| Mr. Wang Michael Zhiyu (王志宇先生) | Interest of Spouse ⁽³⁾ | 722,170,600 | 16.09% |
| Ms. Wang Xinmeng (王心萌女士) | Interest of Spouse ⁽⁴⁾ | 253,000,000 | 5.63% |
| Ms. Wang Xinmeng (王心萌女士) | Interest of Spouse ⁽⁵⁾ | 255,504,000 | 5.69% |
| Universal Zone Limited | Beneficial Owner | 250,000,000 | 5.56% |

Notes:

- (1) At the end of the Year, the total number of issued Shares of the Company was 4,526,925,163 Shares. After excluding 33,384,000 treasury Shares without voting rights, the total number of issued Shares with voting rights was 4,493,541,163 Shares.
- (2) China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited, a wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group, holds 1,190,000,000 Shares of the Company.
- (3) The interests are beneficially held by Mr. Xu Shengheng (徐生恒先生), the spouse of Ms. Luk Hoi Man (陸海汶女士), comprising 722,170,600 Shares. Pursuant to the SFO, Ms. Luk Hoi Man (陸海汶女士) is deemed to be interested in all the interests held by Mr. Xu Shengheng (徐生恒先生).
- (4) The interests are beneficially held by Ms. Liu Ening (劉炯寧女士), the spouse of Mr. Wang Michael Zhiyu (王志宇先生), comprising 253,000,000 Shares. Pursuant to the SFO, Mr. Wang Micheal Zhiyu (王志宇先生) is deemed to be interested in all the interests held by Ms. Liu Ening (劉炯寧女士).
- (5) The interests are beneficially held by Mr. Zhang Yiyong (張軼穎先生), the spouse of Ms. Wang Xinmeng (王心萌女士), comprising 255,504,000 Shares. Pursuant to the SFO, Mr. Wang Xinmeng (王心萌女士) is deemed to be interested in all the interests held by Mr. Zhang Yiyong (張軼穎先生).

At the end of the Year, the Company had not been notified of any long positions being held by any substantial shareholder or other persons in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

2. Aggregate short position in the shares and underlying shares of the Company

At the end of the Year, the Company had not been notified of any short positions being held by any substantial shareholder or other persons in the shares or underlying shares of the Company.

SHARE SCHEMES

2020 Share Award Scheme

The 2020 Share Award Scheme was approved and adopted by the Board on 15 January 2020 (“**2020 Adoption Date**”), which is funded solely by existing shares to be purchased by the trustee. Bank of Communications Trustee Limited (“**2020 Trustee**”) was designated to be the trustee under the Deed of Trust executed on 1 April 2020.

The purpose of the 2020 Share Award Scheme is to attract, retain, and incentivize key employees, executive officers, directors and consultants of the Company and its subsidiaries to retain them for the continual operations and development of the Group.

Subject to the effectiveness of the 2020 Share Award Scheme and all applicable laws, the Board may, from time to time and at its sole and absolute discretion, select any eligible person (e.g. employees, executive officers, directors or consultants of the Company or any of its subsidiaries) as a selected participant (“**2020 Selected Participant**”) to participate in the scheme, and determine the number of awarded shares (“**2020 Awarded Shares**”) to be granted to such 2020 Selected Participants, as well as specify the criteria, conditions and periods for the vesting of the 2020 Awarded Shares.

The maximum number of 2020 Awarded Shares that may be granted under the 2020 Share Award Scheme is 135 million Shares, representing approximately 2.98% of the total number of issued Shares as at the 2020 Adoption Date and approximately 3.01% of the total number of issued Shares (excluding treasury Shares) as at the date of this annual report.

The maximum number of 2020 Awarded Shares which may be awarded to a 2020 Selected Participant shall not exceed 1 percent (1%) of the total number of issued Shares of the Company as at the 2020 Adoption Date.

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2020 Share Award Scheme, the 2020 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on its 2020 Adoption Date. As at the date of this annual report, the remaining life of the 2020 Share Award Scheme shall be approximately three years and nine months.

Report of the Directors

The details of the 2020 Awarded Shares granted under the 2020 Share Award Scheme during the Year are set out below:

| Grantees | Position As at the Date of Grant | Date of Grant | Date of Vesting | Changes in Number of 2020 Awarded Shares during the Year | | | | | Not yet vested as at 31 December 2025 | Closing Price of the Shares immediately before the date of grant | Weighted average closing price of the Shares immediately before the date of vesting |
|--|----------------------------------|-----------------|-----------------|--|------------|--------|--------|------------|---------------------------------------|--|---|
| | | | | Not yet vested as at 1 January 2025 | Granted | Vested | Lapsed | Cancelled | | | |
| Directors | | | | | | | | | | | |
| Mr. Xu Shengheng | Executive Director | 9 December 2025 | 1 April 2026 | - | 3,240,000 | - | - | - | 3,240,000 | HK\$0.038 | N/A |
| | | 9 December 2025 | 1 April 2027 | - | 4,320,000 | - | - | - | 4,320,000 | HK\$0.038 | N/A |
| Subtotal | | | | - | 7,560,000 | - | - | - | 7,560,000 | | |
| Mr. Dai Qi | Executive Director | 9 December 2025 | 1 April 2026 | - | 3,240,000 | - | - | 3,240,000 | - | HK\$0.038 | N/A |
| | | 9 December 2025 | 1 April 2027 | - | 4,320,000 | - | - | 4,320,000 | - | HK\$0.038 | N/A |
| Subtotal | | | | - | 7,560,000 | - | - | 7,560,000 | - | | |
| Mr. Liao Yuan | Non-executive Director | 9 December 2025 | 1 April 2026 | - | 1,800,000 | - | - | 1,800,000 | - | HK\$0.038 | N/A |
| | | 9 December 2025 | 1 April 2027 | - | 2,400,000 | - | - | 2,400,000 | - | HK\$0.038 | N/A |
| Subtotal | | | | - | 4,200,000 | - | - | 4,200,000 | - | | |
| Ms. Liu Ening | Non-executive Director | 9 December 2025 | 1 April 2026 | - | 1,800,000 | - | - | - | 1,800,000 | HK\$0.038 | N/A |
| | | 9 December 2025 | 1 April 2027 | - | 2,400,000 | - | - | - | 2,400,000 | HK\$0.038 | N/A |
| Subtotal | | | | - | 4,200,000 | - | - | - | 4,200,000 | | |
| Mr. Zhang Yiyong | Non-executive Director | 9 December 2025 | 1 April 2026 | - | 1,800,000 | - | - | - | 1,800,000 | HK\$0.038 | N/A |
| | | 9 December 2025 | 1 April 2027 | - | 2,400,000 | - | - | - | 2,400,000 | HK\$0.038 | N/A |
| Subtotal | | | | - | 4,200,000 | - | - | - | 4,200,000 | | |
| Other grantees | | | | | | | | | | | |
| In aggregate | Employee | 9 December 2025 | 1 April 2026 | - | 29,700,000 | - | - | 1,260,000 | 28,440,000 | HK\$0.038 | N/A |
| | | 9 December 2025 | 1 April 2027 | - | 39,600,000 | - | - | 1,680,000 | 37,920,000 | HK\$0.038 | N/A |
| Subtotal | | | | - | 69,300,000 | - | - | 2,940,000 | 66,360,000 | | |
| Total | | | | - | 97,020,000 | - | - | 14,700,000 | 82,320,000 | | |
| The five highest paid individuals | | | | | | | | | | | |
| In aggregate | | 9 December 2025 | 1 April 2026 | - | 9,540,000 | - | - | 1,260,000 | 8,280,000 | HK\$0.038 | N/A |
| | | 9 December 2025 | 1 April 2027 | - | 12,720,000 | - | - | 1,680,000 | 11,040,000 | HK\$0.038 | N/A |
| Subtotal | | | | - | 22,260,000 | - | - | 2,940,000 | 19,320,000 | | |

Report of the Directors

Notes:

- (1) No consideration is payable by the grantees for the 2020 Awarded Shares;
- (2) The vesting of each batch of the 2020 Awarded Shares is subject to the Company's financial performance for the three consecutive financial years ending 31 December 2026. Prior to each vesting date, the Board will assess, based on the Company's financial results, whether the relevant performance targets have been achieved and, having regard to the other applicable provisions of the 2020 Share Award Scheme, determine the vesting status of the relevant batch and the corresponding number to be vested; and
- (3) Details of the fair value of the 2020 Awarded Shares as at the grant date and the accounting standards and policies adopted are set out in Note 2.4 to the consolidated financial statements.

2024 Share Option Scheme and 2024 Share Award Scheme

The 2024 Share Option Scheme and the 2024 Share Award Scheme were adopted on 6 September 2024 ("2024 Adoption Date").

Both the 2024 Share Option Scheme and the 2024 Share Award Scheme may grant share options and awarded shares through the issuance of new Shares or the transfer of treasury Shares. In addition, the 2024 Share Award Scheme may also be funded by existing Shares to be purchased by the trustee.

Other than the 2024 Share Option Scheme and the 2024 Share Award Scheme, the Company does not have any other share scheme involving the grant of new Shares or options over new Shares.

The objectives of the 2024 Share Option Scheme and the 2024 Share Award Scheme are to: (i) recognise the contributions by certain selected participants ("2024 Selected Participants") with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the 2024 Selected Participants to maximise the value of the Company for the benefits of both the 2024 Selected Participants and the Company; with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the 2024 Selected Participants directly to the shareholders through ownership of Shares.

The participants of the 2024 Share Option Scheme and the 2024 Share Award Scheme comprise: (i) any employee participant; (ii) any director or employee of a related entity; and (iii) any service provider.

The total number of Shares available for issue (and, together with treasury Shares which may be transferred, as applicable) under the 2024 Share Option Scheme, together with the 2024 Share Award Scheme, was 452,692,516 Shares, representing no more than 10% of the issued Shares (excluding treasury Shares) as at the 2024 Adoption date and approximately 10.09% of the issued Shares (excluding treasury Shares) as at the date of this annual report.

The total number of Shares available for issue (and, together with treasury Shares which may be transferred, as applicable) to service provider under the 2024 Share Option Scheme, together with the 2024 Share Award Scheme, was 45,269,251 Shares, representing no more than 1% of the issued Shares (excluding treasury Shares) as at the 2024 Adoption date, unless the Company has obtained separate approval by shareholders in a general meeting.

For any 12-month period up to and including the date of grant of the share options and the awarded shares, the aggregate number of Shares issued and to be issued (and, together with treasury Shares which may be transferred, as applicable) in respect of the share options granted under 2024 Share Option Scheme ("2024 Share Options") and the awarded shares granted under the 2024 Share Award Scheme ("2024 Awarded Shares") to any eligible person shall not exceed 1% of the issued Shares (excluding treasury Shares) from time to time, unless such grant is separately approved by the shareholders in a general meeting.



Report of the Directors

The period within which 2024 Share Options may be exercised by the grantee under the 2024 Share Option Scheme shall be as determined by the Board. This period shall commence on the date on which the offer relating to such 2024 Share Options is duly approved by the Board in accordance with the 2024 Share Option Scheme and expire in any event not later than the last day of the 10-year period after the date of grant of 2024 share options (subject to early termination as set out in the 2024 Share Option Scheme).

The vesting period of 2024 Share Options and 2024 Awarded Shares granted in the form of new Shares shall be at least 12 months. However, for the 2024 Share Options and 2024 Awarded Shares granted to employee participants, a shorter vesting period may be applied if determined by (i) the remuneration committee of the Company, if such employee participant is a director or a senior manager of the Company, or (ii) the Board, if such employee participant is not a director or a senior manager of the Company.

No amount is payable on application for or acceptance of the 2024 Share Options or the 2024 Awarded Shares, and no payment period or loan repayment arrangement is applicable.

The subscription price for 2024 Share Options will be a price determined by the Board and notified to an eligible person. The subscription price will be the highest of: (i) the nominal value of a Share; (ii) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the grant date (“Grant Date”), which must be a business day; and (iii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Grant Date.

Unless the Board at their absolute discretion otherwise determine on a case-by-case basis, the 2024 Awarded Shares shall be granted to a 2024 Selected Participants at no consideration as to align with the purpose to reward the eligible participants who have contributed or will contribute to the Group. The purchase price of the 2024 Awarded Shares (if any) shall be such price as determined by the Board, the committee of the Board, or person(s) to which the Board has delegated its authority from time to time based on considerations such as the prevailing closing price of the Shares, the purpose of the 2024 Share Award Scheme and the characteristics and profile of the 2024 Selected Participants.

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2024 Share Option Scheme and the 2024 Share Award Scheme, the 2024 Share Option Scheme and the 2024 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the 2024 Adoption Date. As at the date of this annual report, the remaining life the 2024 Share Option Scheme and the 2024 Share Award Scheme shall be approximately eight years and five months.

No share options have been granted by the Company under the 2024 Share Option Scheme since its adoption. During the Year, no share options were granted, exercised, cancelled, or lapsed under the 2024 Share Option Scheme. As at 1 January 2025 and 31 December 2025, there were no outstanding share options under the 2024 Share Option Scheme.

No awarded shares have been granted by the Company under the 2024 Share Award Scheme since its adoption. During the Year, no awarded shares were granted, vested, cancelled, or lapsed under the 2024 Share Award Scheme. As at 1 January 2025 and 31 December 2025, there were no unvested awarded shares under the 2024 Share Award Scheme.

The total number of Shares available for grant under the mandate of 2024 Share Option Scheme, together with the 2024 Share Award Scheme, was 452,692,516 Shares as at both 1 January 2025 and 31 December 2025. The total number of Shares available for grant to the service provider sublimit of the 2024 Share Option Scheme, together with the 2024 Share Award Scheme, was 45,269,251 Shares as at both 1 January 2025 and 31 December 2025.

During the Year, the number of Shares that may be issued in respect of share options and awarded shares granted under the 2024 Share Option Scheme, together with the 2024 Share Award Scheme, divided by the weighted average number of Shares of the relevant class in issue (excluding treasury Shares) for the year, was 0%.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed “Share Schemes” of this report, no equity-linked agreements that (i) would or might result in the Company issuing Shares, or (ii) require the Company to enter into any agreements that would or might result in the Company issuing Shares, were entered into by the Company during the Year, nor did any such agreements subsist at the end of the Year.

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase Mandate

The Directors have been granted the general mandate (the “2024 Repurchase Mandate”) pursuant to the resolutions of the Shareholders passed on 7 June 2024, to repurchase Shares in the open market from time to time. Pursuant to the 2024 Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of the issued Shares (excluding any treasury Shares) on the date of passing such resolution. The 2024 Repurchase Mandate lapsed at the conclusion of the Annual General Meeting of the Company held on 22 May 2025.

The Directors have been granted the general mandate (the “2025 Repurchase Mandate”) pursuant to the resolutions of the Shareholders passed on 22 May 2025, to repurchase Shares in the open market from time to time. Pursuant to the 2025 Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of the issued Shares (excluding any treasury Shares) on the date of passing such resolution.

Share Repurchase

During the Year, the Company repurchased a total of 34,448,000 Shares on GEM for an aggregate consideration of HK\$1,382,576 (excluding transaction costs), comprising 1,064,000 Shares under the 2024 Repurchase Mandate for HK\$47,704 and 33,384,000 Shares under the 2025 Repurchase Mandate for HK\$1,334,872. These Shares are held as treasury Shares (as defined under the GEM Listing Rules) of the Company. Details are as below:

| Repurchase period | No. of Shares repurchased | Purchase price per Share | | Aggregate consideration paid (HK\$) | No. of treasury Shares as at the end of the month |
|-----------------------------------|---------------------------|---------------------------------|--------------------------------|-------------------------------------|---|
| | | Highest price paid (HK\$/Share) | Lowest price paid (HK\$/Share) | | |
| <i>During the Year</i> | | | | | |
| Under the 2024 Repurchase Mandate | | | | | |
| January 2025 | 1,064,000 | 0.045 | 0.044 | 47,704 | 22,416,000 |
| Subtotal | 1,064,000 | – | – | 47,704 | – |
| Under the 2025 Repurchase Mandate | | | | | |
| May 2025 | 1,744,000 | 0.045 | 0.040 | 73,352 | 1,744,000 |
| June 2025 | 1,272,000 | 0.040 | 0.039 | 49,808 | 3,016,000 |
| July 2025 | 6,112,000 | 0.040 | 0.038 | 244,048 | 9,128,000 |
| September 2025 | 2,000,000 | 0.040 | 0.039 | 79,000 | 1,128,000 |
| October 2025 | 15,448,000 | 0.040 | 0.038 | 617,152 | 26,576,000 |
| November 2025 | 6,456,000 | 0.040 | 0.039 | 258,232 | 33,032,000 |
| December 2025 | 352,000 | 0.038 | 0.037 | 13,280 | 33,384,000 |
| Subtotal | 33,384,000 | – | – | 1,334,872 | – |
| Total | 34,448,000 | – | – | 1,382,576 | – |

The Board considers that the Share repurchased by the Company and held as treasury Shares may provide more flexibility to the Board to resell the treasury Shares on the market prices to raise additional funds for the Company, or transfer or use for share grants under share schemes that comply with Chapter 23 of the GEM Listing Rules and for other purposes permitted under the GEM Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

Report of the Directors

Disposal of Treasury Shares

On 17 April 2025, the Company disposed of 22,416,000 treasury Shares to Mr. Lung Wan, an independent third party, through an off-market transaction at HK\$0.06 per Share. The sale price represents a premium of approximately 53.85% to the closing price of HK\$0.0390 per Share as quoted on the Stock Exchange on 17 April 2025, being the trading date of the Disposal; and a premium of approximately 52.28% to the average closing price of approximately HK\$0.0394 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 17 April 2025, being the trading day of the Disposal. Gross proceeds amounted to HK\$1,344,960.00, with estimated net proceeds of HK\$300,651.01. The Shares were sold under the General and Resale Mandate granted on 7 June 2024.

The net proceeds have been used for general working capital purposes, consistent with the Company's previously disclosed plans. The Board believes the disposal strengthens the Group's financial position and reflects market confidence in the Company's prospects.

Further details of the transaction are set out in the Company's announcement dated 17 April 2025.

As at 1 January 2025, the Company held 21,352,000 treasury Shares. As at 31 December 2025, the Company held 33,384,000 treasury Shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury Shares) during the Year.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. Zhang Honghai, Mr. Guan Chenghua and Mr. Guo Guanglei. Mr. Zhang Honghai serves as the chairman of the Audit Committee.

The Group's audited consolidated financial statements for the Year and this annual report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report of this annual report, the Company had complied with the Corporate Governance Code during the Year. Details of the principal corporate governance practices of our Group are set out in the section headed "Corporate Governance Report" of this annual report.

Ms. Nie Dan is the Company Secretary of the Company and her biographical details are set out in the section headed "Biography of Directors and Senior Management" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Company Law of 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 of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

Report of the Directors

CHARITY DONATIONS

During the Year, the Group made charity donations of HK\$50,000 (2024: RMB200,000 (equivalents to approximately HK\$219,260)).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group are set out in the section headed “Five-Year Financial Summary” in this annual report.

AUDITOR

The financial statements of the Group for the year ended 31 December 2025 have been audited by Rongcheng (Hong Kong) CPA Limited (formerly known as CL Partners CPA Limited) (“RCHK”). RCHK will retire and being eligible for re-appointment. A resolution for the re-appointment of RCHK as auditor of the Company is to be proposed at the forthcoming annual general meeting. There has been no change in auditors of the Company in any of the preceding three years.

For and on behalf of the Board

Xu Shengheng

Joint Chairman & Executive Director

Liao Yuan

Joint Chairman & Non-executive Director

Hong Kong, 18 March 2026



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is essential for efficient and effective management of our business to safeguard the interest of our stakeholders and achieve the highest return for our Shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in Part 2 of Appendix C1 to the GEM Listing Rules (the "CG Code"). The Company has adopted and complied with, where applicable, the CG Code during the year ended 31 December 2025 (the "Year"), to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner, save and except the deviation as follows:

Provision C.1.5 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Liao Yuan, the non-executive Director, did not attend the annual general meeting held on 22 May 2025 due to other business commitment.

CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

Corporate Strategy, Business Model and Culture

The overall management of the Group's business is vested in the Board which assumes the responsibility of leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs. All Directors make decisions objectively in the interests of the Group.

The Board sets the Group's purpose, establishes its values, and formulates both short term and long-term strategies whilst ensuring that these purpose, values, and strategies are aligned with the Group's corporate culture. All Directors promote the Group's corporate culture by acting with integrity and leading by example. The Board sets directions for the Group to act lawfully, ethically, and responsibly to instil and continually reinforce the Group's corporate culture.

The Board also assumes the responsibilities for maintaining high standard of corporate governance, including among others, reviewing the Company's policies and practices on corporate governance, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

The performance of the Group in the Year was in line with the short term and long-term strategies formulated by the Board and did not deviate from the Group's purpose and established values. A detailed discussion and analysis of the Group's strategy to fulfil and achieve its purpose are set out in section headed "Management Discussion and Analysis" of this annual report.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties. The Board assigned this responsibility to the Audit Committee.

The Audit Committee develops and puts in place policies and practices to ensure compliance with the provisions of the CG Code, for the training and continuous professional development of the Directors and senior management, for the compliance with legal and regulatory requirements, etc.

During the Year, the Board has through the Audit Committee reviewed the Company's policies and practices on corporate governance as well as the corporate governance report contained in this annual report in the discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

The Board has established the Board Committees with specific written terms of reference which deal clearly with the Committees' authority and duties. Details of the respective Committees' terms of reference are available at the respective websites of the Company and the Stock Exchange.

The day-to-day management, administration and operation of the Group are delegated to the executive Directors and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board for significant transactions.

Corporate Governance Report

BOARD OF DIRECTORS

Board Composition, Succession and Evaluation

As at the date of this report, the Board comprised eight Directors of which two are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The composition of the Board is as follows:

| Name of Directors | Date of First Appointment | Length of Tenure (as at the end of the Year) | Current Period of Appointment |
|--|---------------------------|--|-------------------------------|
| Executive Directors | | | |
| Mr. Xu Shengheng (<i>Joint Chairman</i>) | 6 February 2009 | 16 years 10 months | 2024-2027 |
| Mr. Dai Qi | 12 August 2013 | 12 years 4 months | 2023-2026 |
| Non-executive Directors | | | |
| Mr. Liao Yuan (<i>Joint Chairman</i>) | 5 July 2023 | 2 years 5 months | 2023-2026 |
| Ms. Liu Ening | 12 March 2021 | 4 years 9 months | 2024-2027 |
| Mr. Zhang Yiyang | 16 January 2020 | 5 years 11 months | 2025-2028 |
| Independent non-executive Directors | | | |
| Mr. Zhang Honghai | 10 November 2023 | 2 years 1 month | 2024-2027 |
| Mr. Guan Chenghua | 28 March 2020 | 5 years 9 months | 2025-2028 |
| Mr. Guo Guanglei* | 28 March 2025 | 9 months | 2025-2028 |

* In compliance with Rule 5.02D of the GEM Listing Rules, Mr. Guo Guanglei has obtained the legal advice from a firm of solicitors on 24 March 2025 and has confirmed he understood his obligations as a director of the Company.

The biographical details of the Directors are set out in the section headed “Biography of Directors and Senior Management” of this annual report.

As at the date of this report, there is no any financial, business, family or other material/relevant relationships among the members of the Board.

During the Year and to the date of this report, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, accounting for at least one-third of the Board, with at least one independent non-executive director possessing the appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors provided annual confirmation of his independence during the Year, and the Company considers that all independent non-executive Directors were independent in accordance with Rule 5.09 of the GEM Listing Rules as at the date of this report.



Corporate Governance Report

Mechanism for Independent Views to the Board

The Board has implemented various measures to ensure the availability of independent views and input. The implementation and effectiveness of these mechanisms are reviewed annually. The Board considers these measures to have been properly and effectively implemented during the Year, which include the following:

1. *Composition*

The Board mandates the inclusion of at least three independent non-executive Directors, with at least one-third of the Board comprising independent non-executive Directors. At least one independent non-executive Director must hold suitable professional qualifications or relevant financial management expertise. Furthermore, independent non-executive Directors will be appointed to Board Committees as required by the GEM Listing Rules to ensure, as far as practicable, that independent views are available.

2. *Independence Assessment*

The Nomination Committee diligently follows the Nomination Policy concerning the selection and appointment of independent non-executive Directors. It is tasked with conducting an annual assessment of the independent non-executive Directors' independence to ensure they consistently demonstrate independent judgment.

3. *Compensation*

No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors as this could introduce bias in their decision-making process and undermine their objectivity and independence.

4. *Board Decision Making*

The Directors (including independent non-executive Directors), upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties. If a substantial Shareholder or Director has a conflict of interest in a matter deemed significant by the Board, the issue will be addressed in a physical Board meeting rather than through a written resolution. A Director with a material interest in a contract, transaction, or arrangement will not vote or be counted in the quorum for any Board resolution approving it.

5. *Board Evaluation*

The Board evaluates and reviews the time commitment of each independent non-executive Directors and their attendance at Board and Committee meetings, ensuring every independent non-executive Directors has dedicated sufficient time to fulfill their responsibilities as Directors of the Company.

The Company has arranged for appropriate insurance cover in respect of legal actions against Directors.

Roles and Responsibility of the Board

The Board is responsible for, and has general powers for, the management and conduct of our business. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the executive Directors and senior management of the Group. The Board maintains effective governance through monthly updates on financial results and operational progress. Management must seek prior Board approval for significant transactions, capital commitments, or strategic initiatives exceeding delegated authority, ensuring alignment with the Group's risk tolerance and strategic goals.

A clear division exists between the Board's governance role that focusing on strategy, risk oversight, and shareholder value and management's responsibility for daily operations and compliance reporting. This structure ensures accountability while enabling efficient decision-making within defined boundaries.

Corporate Governance Report

Board/Board Committee Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Both the Remuneration Committee and the Nomination Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings, and notice of not less than seven days are given for all regular Board Committee meetings, to provide all Directors/committee members with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft and final versions of minutes should be sent to the relevant Board or committee members for their comment and records respectively, within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the Year, seven Board meetings, three Audit Committee meetings, two Remuneration Committee meetings, one Nomination Committee meeting and one general meeting were held. The attendance records of each Director at the Board and Committee meetings and at the general meeting during the Year are as follows:

| Name of Director | Number of meetings attended/Number of meetings held | | | | |
|---|---|-------------------------|--------------------------------|------------------------------|-----------------|
| | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | General Meeting |
| <i>Executive Directors</i> | | | | | |
| Mr. Xu Shengheng | 7/7 | N/A | 2/2 | 1/1 | 1/1 |
| Mr. Dai Qi | 7/7 | N/A | 2/2 | N/A | 1/1 |
| <i>Non-executive Directors</i> | | | | | |
| Mr. Liao Yuan | 4/7 | N/A | N/A | 1/1 | 0/1 |
| Ms. Liu Ening | 6/7 | N/A | N/A | N/A | 1/1 |
| Mr. Zhang Yiyang | 7/7 | N/A | N/A | N/A | 1/1 |
| <i>Independent non-executive Directors</i> | | | | | |
| Mr. Zhang Honghai | 7/7 | 3/3 | 2/2 | 1/1 | 1/1 |
| Mr. Wu Qiang (Resigned on 28 March 2025) | 1/1 | 1/1 | 1/1 | 1/1 | N/A |
| Mr. Guan Chenghua | 7/7 | 3/3 | 2/2 | 1/1 | 1/1 |
| Mr. Guo Guanglei (Appointed on 28 March 2025) | 6/6 | 2/2 | 1/1 | N/A | 1/1 |

Notes:

- (1) During the Year, the Group Development Strategic Committee did not hold any meetings.
- (2) Under code provision C.1.5 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Liao Yuan, the non-executive Director, did not attend the annual general meeting held on 22 May 2025 due to other business commitment.
- (3) Mr. Liao Yuan submitted his voting opinions at two of the board meetings he did not attend, and Ms. Liu Ening submitted her voting opinions at the one board meeting she did not attend.

Corporate Governance Report

Appointments, Re-election and Removal of Directors

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of our Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman of the Board and the Chief Executive Officer.

At the point of acceptance of appointment, each Director was able to give sufficient time and attention to the affairs of the Group.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Year, the Company provided the Directors with relevant reading materials and training webcast covering a range of topics, including directors' duties, corporate governance and regulatory updates, for their reference and study. The Directors confirmed that they had undertaken the following training:

| Name of Directors | Reading journals, written training materials and/or updates | Viewing the director training webcast published by Stock Exchange |
|-------------------|--|--|
| Mr. Xu Shengheng | ✓ | ✓ |
| Mr. Dai Qi | ✓ | ✓ |
| Mr. Liao Yuan | ✓ | ✓ |
| Ms. Liu Ening | ✓ | ✓ |
| Mr. Zhang Yiyi | ✓ | ✓ |
| Mr. Zhang Honghai | ✓ | ✓ |
| Mr. Wu Qiang | ✓ | ✓ |
| Mr. Guan Chenghua | ✓ | ✓ |
| Mr. Guo Guanglei | ✓ | ✓ |

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under CG code provision C.2.1 of the Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year, the role of chairman was jointly performed by Mr. Xu Shengheng and Mr. Liao Yuan, while the role of chief executive officer was performed by Mr. Yang Mingzhong.

NON-EXECUTIVE DIRECTORS

All of our non-executive Directors and independent non-executive Directors are appointed for an initial term of two years, which may be renewed upon the expiry of the relevant term, subject to the requirements of the Company's Articles of Association regarding retirement by rotation and re-election.

BOARD COMMITTEE

Audit Committee

The Company has established an Audit Committee in accordance with Rule 5.28 of the GEM Listing Rules and has adopted written terms of reference in compliance with the CG Code. At the end of the Year, the Audit Committee comprised three members, all of whom are independent non-executive Directors, namely Mr. Zhang Honghai, Mr. Guan Chenghua and Mr. Guo Guanglei. Mr. Zhang Honghai serves as the chairman of the Audit Committee.

The Audit Committee is appointed by the Board with a view to assist the Board by providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee audit process, to develop and review policies and to perform other duties and responsibilities as assigned by the Board and as required by the GEM Listing Rules from time to time. The Audit Committee also serves as a focal point for communication between other directors, the external auditors, and the management as regards their duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board determines from time to time.

During the Year, the Audit Committee held three meetings. A summary of the work performed during the Year is set out below:

1. Provided recommendations to the Board on the appointment, re-appointment and remuneration of the external auditors, reviewing their independence, objectivity and the effectiveness of the audit process, and discussing with the auditors the nature and scope of the audit.
2. Monitored the integrity of the Company's financial statements, annual report and accounts and interim report, and reviewing significant accounting judgments, audit adjustments, the going concern assumption and compliance with accounting standards and the GEM Listing Rules.
3. Reviewed the effectiveness of the Company's financial controls, internal control and risk management systems, including the adequacy of resources, staff qualifications and experience, training and budget of the accounting and financial reporting functions; reviewing the external auditors' management letter and management's responses; and reviewing the Company's whistleblowing arrangements and related follow-up actions.
4. Reviewed the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's compliance with legal and regulatory requirements, and its compliance with the Corporate Governance Code and the disclosures in the corporate governance report.



Corporate Governance Report

Remuneration Committee

The Company has established a Remuneration Committee in accordance with Rule 5.34 of the GEM Listing Rules and has adopted written terms of reference in compliance with the CG Code. The Remuneration Committee is chaired by an independent non-executive Director and the majority of its members are independent non-executive Directors. At the end of the Year, the Remuneration Committee comprised five members, including three independent non-executive Directors, namely Mr. Guan Chenghua (chairman of the Remuneration Committee), Mr. Zhang Honghai and Mr. Guo Guanglei, and two executive Directors, namely Mr. Xu Shengheng (vice-chairman of the Remuneration Committee) and Mr. Dai Qi (vice-chairman of the Remuneration Committee).

The Remuneration Committee is appointed by the Board and is primarily responsible for making recommendations to the Board on the remuneration policy, remuneration structure and the basis for determining the remuneration of Directors and senior management, and for performing the duties required under the GEM Listing Rules and the CG Code from time to time. The Remuneration Committee is responsible for formulating the Company's overall remuneration policy and structure, reviewing management's remuneration proposals, and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management (including salaries, benefits in kind, pension rights, share-based incentives and compensation arrangements). It also makes recommendations to the Board on the remuneration of non-executive Directors. In addition, the Remuneration Committee reviews and/or approves matters relating to share schemes as set out in Chapter 23 of the GEM Listing Rules.

During the Year, the Remuneration Committee held two meetings. A summary of the work performed during the Year is set out below:

1. Reviewed and made recommendations to the Board on the remuneration packages of the Directors and senior management, including assessing the performance of the executive Directors.
2. Reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management.
3. Made a recommendation to the Board on the remuneration of an independent non-executive Director.
4. Reviewed and made recommendations to the Board on the details of the granting of share awards to the management.

Nomination Committee

The Company has established a Nomination Committee in accordance with Rule 5.36A of the GEM Listing Rules and has adopted written terms of reference in compliance with the CG Code. The Nomination Committee is chaired by an independent non-executive Director and the majority of its members are independent non-executive Directors. At the end of the Year, the Nomination Committee comprised five members, including three independent non-executive Directors, namely Mr. Guan Chenghua (chairman of the Nomination Committee), Mr. Zhang Honghai and Mr. Guo Guanglei, and two non-executive Directors, namely Mr. Liao Yuan (vice-chairman of the Nomination Committee) and Ms. Liu Ening.

The Nomination Committee is appointed by the Board. Its primary role is to identify, consider and recommend suitably qualified candidates for appointment as Directors, to review the structure, size and composition of the Board, and to perform the duties required under the GEM Listing Rules and the CG Code from time to time. The Nomination Committee is responsible for formulating the Company's nomination policy and nomination procedures, identifying and selecting candidates for directorship, assessing the independence of independent non-executive Directors, and making recommendations to the Board on the appointment, re-appointment and succession planning of Directors. In addition, the Nomination Committee reviews the implementation of the Board Diversity Policy, evaluates each Director's time commitment, contribution and ability to discharge his or her responsibilities effectively, and handles such other matters as may be assigned by the Board or required under the GEM Listing Rules from time to time.

Corporate Governance Report

During the Year, the Nomination Committee held one meeting. A summary of the work performed during the Year is set out below:

1. Reviewed the structure, size and composition of the Board, including the skills, knowledge, experience and diversity of its members.
2. Assessed the independence of independent non-executive Directors.
3. Made a recommendation to the Board the Directors to retire and be re-elected at the annual general meeting.
4. Made a recommendation to the Board on the appointment of an independent non-executive Director.

Nomination Policy

The company has adopted a nomination policy (the “**Nomination Policy**”) in accordance with the CG Code. The Nomination policy sets out the key criteria and procedures for the Nomination Committee to select and recommend candidates for directorship, including appointment and re-appointment of the Directors. The Nomination Policy aims to ensure that the Board of the Company has a suitable balance of skills, experience, knowledge and diversity of perspectives appropriate to the Company’s business and strategic objectives. The ultimate responsibility for selection and appointment of directors rests with the entire Board.

Nomination Procedure

1. The Nomination Committee will identify suitable candidates through different recruitment channels, including referrals from directors, shareholders, management, business acquaintances, industry peers and external executive search firms.
2. In order to ensure a fair and open recruitment process, the Nomination Committee shall select the most suitable candidate to fill a Board vacancy based on merit with regard to the balance of skills, knowledge and experience as well as the overall Board diversity.
3. The Secretary of the Nomination Committee shall convene a meeting to consider the proposed candidates. In the case of appointment of new director, the Nomination Committee shall undertake adequate due diligence in respect of such individual, evaluate the candidate in accordance with the selection criteria set out in the Policy, and make recommendations for the Board’s consideration and approval.
4. In the case of re-appointment of director, the Nomination Committee shall review the overall contribution to the Company of the retiring director as well as the selection criteria set out in the Policy. The Nomination Committee will then make recommendations to the Board for its consideration and recommendation, for the proposed candidate to stand for re-election at a general meeting.
5. For procedures regarding a candidate nominated by a shareholder to be elected as a director, please refer to the “**Procedures for Nomination of Directors by Shareholders**”, which is available on the Company’s website.



Corporate Governance Report

Selection Criteria

In assessing the suitability of the proposed candidate, the Nomination Committee shall consider factors including but not limited to:

- (1) character and integrity of the proposed candidate;
- (2) whether the proposed candidate can commit sufficient time and attention to the Company's business;
- (3) potential contribution the proposed candidate can bring to the Board in terms of qualifications, skills, experience and diversity of perspective;
- (4) diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. For details, please refer to the "Board Diversity Policy" of the Company, which is available on the Company's website;
- (5) compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive director; and
- (6) any other relevant factors as the Nomination Committee or the Board considered necessary from time to time in the best interest of the Company and the Company's shareholders.

The Nomination Committee will monitor and review the Nomination Policy from time to time to ensure the effectiveness of the Nomination Policy and that it reflects current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval where appropriate.

COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations are followed.

Ms. Nie Dan ("Ms. Nie") is the Company Secretary as appointed by the Company pursuant to the Rule 5.14 of the GEM Listing Rules. The biographical details of Ms. Nie is set out in the section headed "Biography of Directors and Senior Management" of this annual report. Ms. Nie has confirmed that, during the Year, she has undertaken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules in respect of securities transaction by the directors (the "Required Standard"). Specific enquiry has been made to all Directors and each of the Directors has confirmed that he/she has complied with the Required Standard during the Year.

FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements. The Directors are also responsible for ensuring that (i) appropriate accounting policies are selected and applied consistently; (ii) judgements and estimates made are prudent and reasonable; and (iii) statutory requirements and applicable accounting standards have been adopted and complied with.

Corporate Governance Report

At the end of the Year, the Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements for the Year on a going-concern basis. The financial statements for the Year have been reviewed by the Audit Committee and audited by the independent auditor, Rongcheng (Hong Kong) CPA Limited. A statement by the independent auditor about their reporting responsibility is set out in the section headed "Independent Auditor's Report" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving its strategic objectives, and for maintaining appropriate and effective risk management and internal control systems. The Board conducts at least an annual review of the effectiveness of such systems to ensure that they are capable of managing identified risks, safeguarding assets, preventing and detecting fraud, misconduct and losses, ensuring the accuracy of financial reporting, and complying with applicable laws and regulations.

The Group has established a risk management and internal control framework covering major business processes and supporting functions. Management is responsible for the ongoing design, implementation and monitoring of the risk management and internal control systems, and conducts an annual risk assessment to identify, analyse and evaluate major risks, including environmental, social and governance ("ESG") risks, and to formulate corresponding mitigation measures. During the Year, there were no significant changes in the nature or severity of the Group's risks, nor any material changes to the Group's risk management and internal control systems.

The Group has implemented procedures to promote operational efficiency, safeguard assets, maintain reliable financial reporting, and ensure compliance with applicable legal and regulatory requirements. Management adjusts relevant controls where necessary in response to changes in the business and external environment, and reports any significant control deficiencies or weaknesses to the Board in accordance with established procedures so that appropriate remedial actions can be taken.

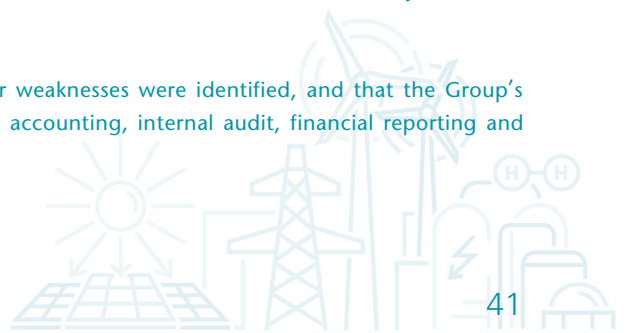
The Group maintains an internal audit function which provides independent assessments of the adequacy and effectiveness of the Group's risk management and internal control systems, and reports its findings and recommendations to the Audit Committee. Internal audit work is conducted according to an annual plan. In addition, during the Year, the Group engaged an external independent consultant to review the effectiveness of the Group's risk management and internal control systems, providing an additional layer of independent assurance. The Audit Committee and the Board have reviewed the relevant assessment results and confirmed that the Group's risk management and internal control systems are appropriate and effective.

The Group has established a whistleblowing policy and arrangements that allow employees and parties dealing with the Group to raise concerns, in confidence and on an anonymous basis, about possible improprieties. Appropriate arrangements are in place to ensure that such matters are subject to fair and independent investigation and follow-up actions.

The Group has also adopted an anti-fraud policy to promote and support compliance with anti-corruption laws and regulations, and to prevent, detect and address fraudulent activities that may compromise the Group's financial integrity or reputation.

To ensure compliance with the GEM Listing Rules and the Securities and Futures Ordinance regarding inside information, the Group has established an information disclosure regime to identify, handle and monitor information that may constitute inside information, and to prevent unauthorised disclosure.

The Board confirms that, for the Year, no significant control failures or weaknesses were identified, and that the Group's resources, staff qualifications and experience, training and budgets for accounting, internal audit, financial reporting and ESG reporting functions were adequate.



Corporate Governance Report

AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

Rongcheng (Hong Kong) CPA Limited (formerly known as CL Partners CPA Limited) ("RCHK") was re-appointed as the independent auditor of the Company with effect from 22 May 2025 to hold office until the conclusion of the next annual general meeting.

During the Year, RCHK provided audit services to the Company for a fee of approximately HK\$1,594,000, and no significant fees were incurred for non-audit services.

DIVERSITY

Board Diversity Policy

The Company has adopted a Board Diversity Policy to ensure that the Board maintains an appropriate balance of skills, experience and diversity of perspectives. In considering appointments to the Board, the Company takes into account a board range of diversity factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Board believes that diversity enhances the quality of decision-making and supports the long-term sustainable development of the Group.

To promote gender diversity, the Company has set a measurable objective that the Board shall comprise at least one Director of a different gender, and shall maintain such status in accordance with the GEM Listing Rules. The Group also continues to identify and develop a broader and more diverse pipeline of potential successors with the relevant skills and experience to support future Board composition needs, including through talent development and succession planning initiatives.

During the Year, the Nomination Committee reviewed the structure, size and composition of the Board, including the diversity of backgrounds, skills and experience of the Directors, and assessed the Company's progress in achieving its measurable objective on gender diversity. The Board confirms that the Company continued to maintain at least one Director of a different gender during the Year, and considers that the implementation of the Board Diversity Policy has been effective and aligned with the Company's corporate governance and business development needs.

Workforce Diversity Policy

The Group has adopted the Workforce Diversity Policy to ensure that its employees, including senior management, maintain an appropriate balance of skills, experience and diversity of perspectives. Employment-related decisions, including recruitment, remuneration, career development and promotion, are made on a merit-based approach. Diversity factors considered by the Group include, but are not limited to, skills, regional and industry experience, background, age, race, gender and other qualities. The Group is committed to fostering an inclusive and respectful workplace culture, providing equal opportunities to all employees, and strictly prohibiting any form of discrimination, harassment or misconduct.

Given the nature of the Group's business and the markets in which it operates, gender diversity is a more common area of focus. The Group is committed to maintaining an appropriate level of female staff and ensuring female representation at the management level. As at the end of the Year, the Group had seven senior management members, of whom 71.4% were male and 28.6% were female; and a total of 186 employees (excluding senior management), of whom 81.7% were male and 18.3% were female. The Nomination Committee reviews the Group's workforce diversity annually, discusses and sets the measurable objectives for implementing the Workforce Diversity Policy (in particular the gender diversity targets), and monitors the progress made in achieving such measurable objectives. The Nomination Committee also reviews gender pay differences where appropriate to ensure equal pay for work of equal value.

During the Year, the Group maintained a diverse workforce and an appropriate level of female representation, including at the management level. The Nomination Committee reviewed the Group's diversity profile and noted continued progress in achieving the Group's gender diversity objectives. The Board considers that the implementation of the Workforce Diversity Policy during the Year has been effective and aligned with the Group's operational needs and long-term development.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual Directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the GEM Listing Rules.

Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members (including a recognised clearing house (or its nominees)) holding at the date of deposit of the requisition in aggregate not less than one-tenth of the voting rights at general meetings (on a one vote per share basis) in the share capital of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such Member(s) shall also be entitled to add resolutions to the agenda for the extraordinary general meeting so convened.

Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out above.

Enquiries to the Board

Shareholders who wish to put enquiries to the Board may submit their enquiries in writing to the Board or the Company Secretary, together with sufficient contact details to enable such enquiries to be properly handled and responded to. Shareholders may send written enquiries or requests to the Company through the following channels:

Address: 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong
Email: info@chyy.com.hk

INVESTOR RELATIONS

The Company has adopted the Shareholders' Communication Policy and maintains various channels to provide Shareholders with clear and understandable information and to enable them to express their views on matters affecting the Company. Shareholders may at any time direct questions, communicate their views, request for publicly available information or provide comments and suggestions to the Board or the management of the Company by mail to 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong or by email to info@chyy.com.hk. The Company has also appointed Computershare Hong Kong Investor Services Limited to handle share registration and related enquiries.

The Company maintains communication with Shareholders through annual general meetings, financial reports, announcements, circulars, the Company's website (www.chyy.com.hk) and day-to-day communication. The chairman of the Board, the chairmen of the board committees, appropriate management executives and the external auditors are available at the annual general meeting to answer questions from Shareholders. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the Year and considers that the current policy has ensured timely dissemination of important information and effectively collected and reflected the views of Shareholders and other stakeholders in the decision-making process of the Board and the management. The policy operated effectively during the Year.

Corporate Governance Report

During the Year, the Company's interactions with Shareholders mainly took place through face-to-face exchanges at the annual general meeting. Representatives of the Company participating in such interactions included the chairman of the Board, the chairmen of the board committees, the management and the investor relations personnel. The Company follows up on enquiries and views raised by Shareholders as appropriate to ensure that relevant opinions are duly considered.

CONSTITUTIONAL DOCUMENTS

During the Year, the Shareholders passed a special resolution at the annual general meeting held on 22 May 2025 to amend and adopt the Third Amended and Restated Memorandum and Articles of Association, which introduced amendments enabling the Company to hold and deal with treasury Shares and incorporating certain housekeeping changes.

DIVIDEND POLICY

The Company has adopted the Dividend Policy, which sets out the principles and guidelines that the Company applies when considering whether to declare, recommend or pay any dividends. The Policy aims to ensure that the Company maintains adequate cash reserves for meeting its working capital requirements, future growth and shareholder value. In determining whether to declare any dividend and the amount of such dividend, the Board considers a number of factors, including but not limited to the Group's actual and expected financial results, general economic conditions, the Company's business strategies and funding requirements, cash flow and financial position, retained earnings and distributable reserves, legal and regulatory restrictions, contractual restrictions imposed by lenders, and the interests of the Company and the Shareholders. The Board confirms that all decisions made during the Year regarding dividends were in compliance with the Company's Dividend Policy.

During the Year, the Board did not declare any interim or final dividend. Having reviewed the Group's financial position, cash flow, working capital needs and future business development plans, the Board considered it more appropriate to retain resources to support the Group's operations and long-term development. The Company will continue to manage its resources prudently and will consider feasible measures to enhance shareholder returns where appropriate.

容诚 | RCHK

To the shareholders of
CHYY Development Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CHYY Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 142, 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 and other explanatory 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 ("HKSA") as 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.

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.



Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <i>Revenue recognition on provision, installation and maintenance of shallow geothermal energy utilisation system</i> | |
| <p>Refer to material accounting policy information in note 2.4, note 3 and note 5 to the consolidated financial statements.</p> <p>For the year ended 31 December 2025, the Group recognises revenue from provision, installation and maintenance of shallow geothermal energy utilisation system of approximately HK\$42,315,000 over time, using an input method in which revenue is recognised based on the proportion of actual costs incurred relative to the estimated total costs in fulfilling the relevant performance obligations. The input method involves the use of management's significant judgements and estimates, including estimates of total contract revenues, total contract costs, remaining completion costs to be incurred. In addition, revenue, cost of sales and gross profit realised on such contracts can vary from the Group's original estimates because of changes in scope of work or conditions. Therefore, the above matter was identified as a key audit matter.</p> | <p>Our audit procedures to assess the revenue recognition on provision, installation and maintenance of shallow geothermal energy utilisation system included the following:</p> <ul style="list-style-type: none"> • understanding and evaluating the design and implementation of key controls over management's revenue recognition processes; • obtaining material shallow geothermal energy contracts to review the key contract terms; • assessing the contract costs incurred by sample testing supporting documents, such as payment vouchers, relevant suppliers' and subcontractors' invoices and contracts, and performing cut-off testing procedures; • assessing the reliability of estimates made by management in the determination of estimated total contract costs by reviewing the preparation, examination and modification process, if any; • sample testing key cost elements to material contracts, reviewing the modification of material contracts for any update on estimated total contract costs and the accuracy of prior year's budgets; • performing re-calculation of the performance progress, based on accumulative actual costs incurred relative to the estimated total contract costs and the revenues recognised on a sampling basis; • selecting, on a sample basis, the revenue or transaction recorded during the reporting period, near the year ended date and comparing the details with the underlying invoices, contracts and relevant documentation to assess whether the related revenue has been recognised in the appropriate accounting period in accordance with the Group's revenue recognition accounting policies; and • performing analytical review procedures on the gross margins of major contracts of the Group for any material or unusual fluctuations. <p>Based on the procedures performed, we considered management's judgments and key assumptions applied in the revenue recognition on provision, installation and maintenance of shallow geothermal energy utilisation system are supported by the evidence we gathered.</p> |

Independent Auditor's Report

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Impairment of trade receivables (including finance lease receivables, as defined hereinbelow) and contract assets under expected credit losses model</i></p> | |
| <p>Refer to material accounting policy information in note 2.4, note 3, note 21 and note 22 to the consolidated financial statements.</p> <p>As at 31 December 2025, the Group had trade receivables and contract assets of approximately HK\$66,629,000 and HK\$12,502,000, net of expected credit losses allowance of approximately HK\$143,389,000 and HK\$400,241,000, respectively.</p> <p>The expected credit losses allowances of trade receivables and contract assets were recognised based on management's assessment, which involved the use of significant judgements and accounting estimates including current situations of the customers, historical payment records, legal case status and future economic conditions.</p> <p>We identified the above matter as a key audit matter due to the significant amounts of trade receivables and contract assets, and the estimation of the expected credit losses allowances of trade receivables and contracts assets involved significant management's estimation and judgement.</p> | <p>Our audit procedures to assess the impairment loss allowances of trade receivables and contract assets under expected credit losses model included the following:</p> <ul style="list-style-type: none"> • understanding and evaluating the design and implementation of key controls over management's processes for expected credit losses assessment of trade receivables and contract assets, and respective credit risk policies; • assessing the reasonableness and appropriateness of management's accounting estimates and the expected credit losses model relevant to trade receivables and contract assets by discussing with management the application of the simplified approach in calculating expected credit losses; • challenging the assumptions used to determine the expected credit losses with the relevant economic environment, project status and legal cases status, if any; • checking, on a sample basis, the aging profile of the trade receivables and contract assets to the underlying financial records and post year-end settlements to bank receipts; • evaluating the appropriateness and reasonableness of the grouping of various customer segments based on our knowledge of the customers, historical settlement record, and the historical observed loss rates, if any; • performing re-calculation of the expected credit losses allowances of trade receivables and contract assets provided by the management; • performing sensitivity analysis for the key assumptions adopted in the expected credit losses model, including forward-looking information and considering whether there is any indication of management bias; and • assessing the adequacy of the disclosures on the impairment of trade receivables (including finance lease receivables) and contract assets under expected credit losses model in the consolidated financial statements. <p>Based on the procedures performed, we considered management's judgments and key assumptions applied in determining impairment of trade receivables and contract assets under expected credit losses model are supported by the evidence we gathered.</p> |

Independent Auditor's Report

| Key audit matter | How the matter was addressed in our audit |
|--|---|
| <i>Fair values of leasehold land and buildings and investment properties</i> | |
| <p>Refer to material accounting information in note 2.4, note 3, note 13 and note 14 to the consolidated financial statements.</p> <p>As at 31 December 2025, the Group had significant amounts of leasehold land and buildings and investment properties amounting to approximately HK\$125,664,000 and HK\$124,070,000, that were measured at revalued amount and fair value, respectively, using significant unobservable inputs (Level 3 in the fair value hierarchy). Management engaged an independent external valuer with relevant qualifications to perform the valuation of such properties.</p> <p>The valuation depended on a range of estimates and assumptions, such as the analysis of the economic environment and future trend of the regions where the relevant properties were located, anticipated rentals in the future and the discount rates. The changes in estimates and assumptions would result in changes in the fair values of the respective properties. Therefore, the above matter was identified as a key audit matter.</p> | <p>Our audit procedures to assess the fair values of leasehold land and buildings and investment properties included the following:</p> <ul style="list-style-type: none"> • understanding and evaluating the design and implementation of key controls over management's processes for determining the fair values of leasehold land and buildings and investment properties; • assessing the objectivity, capability and competence of the independent external valuer engaged by the management; • obtaining the valuation reports and assessing the appropriateness and reasonableness of the valuation method, assumptions as well as the key valuation inputs applied, such as the prevailing market rents, market yields and comparable market transactions; • challenging with the management and the independent external valuer on the assumptions adopted in the valuation, including anticipated rentals in the future, checking input data against the current signed rental contracts, and historical and market data and benchmarking the discount rates to companies in similar industries; and • reviewing the presentation and disclosures in the consolidated financial statements regarding the fair values of the respective properties. <p>Based on the procedures performed, we considered management's judgments and key assumptions applied in determining the fair values of leasehold land and buildings and investment properties are supported by the evidence we gathered.</p> |

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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, solely to you, as a body, in accordance with our agreed terms of 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.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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's consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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.

Rongcheng (Hong Kong) CPA Limited

Certified Public Accountants

Wong Cho Yi

Practising Certificate Number: P07897

Hong Kong

18 March 2026

Consolidated Statement of Profit or Loss

Year ended 31 December 2025

| | Notes | 2025 HK\$'000 | 2024 HK\$'000 |
|---|-------|------------------|------------------|
| REVENUE | 5 | 47,835 | 69,629 |
| Cost of sales | | (35,393) | (56,912) |
| Gross profit | | 12,442 | 12,717 |
| Other income and gains | 5 | 28,338 | 26,626 |
| Selling and distribution expenses | | (2,672) | (2,957) |
| Administrative expenses | | (36,277) | (39,566) |
| Reversal of impairment losses under expected credit loss model on trade receivables, net | 22 | 14,979 | 9,732 |
| Provision for impairment losses under expected credit loss model on other receivables and deposits, net | 23 | (4,318) | (7,120) |
| (Provision for) reversal of impairment losses under expected credit loss model on contract assets, net | 21 | (2,185) | 21,183 |
| Finance costs | 7 | (3,178) | (3,544) |
| Fair value changes on investment properties | 14 | (1,145) | (548) |
| Other expenses and losses | | (7,063) | (97) |
| Share of results of: | | | |
| A joint venture | 16 | 1,369 | (3,434) |
| Associates | | (5,425) | (2,051) |
| (LOSS) PROFIT BEFORE TAX | 6 | (5,135) | 10,941 |
| Income tax credit | 10 | 11,298 | 352 |
| PROFIT FOR THE YEAR | | 6,163 | 11,293 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | 7,118 | 10,759 |
| Non-controlling interests | | (955) | 534 |
| | | 6,163 | 11,293 |
| EARNINGS PER SHARE | 12 | | |
| Basic and diluted (expressed in HK cents) | | 0.16 | 0.24 |



Consolidated Statement of Comprehensive Income

Year ended 31 December 2025

| | Note | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------|------------------|------------------|
| PROFIT FOR THE YEAR | | 6,163 | 11,293 |
| OTHER COMPREHENSIVE INCOME (EXPENSE) | | | |
| Other comprehensive income (expense) that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences arising from translation of foreign operations | | 9,023 | 5,420 |
| Share of other comprehensive income (expense) of a joint venture | | 11 | (79) |
| Share of other comprehensive income (expense) of associates | | 535 | (497) |
| Release of exchange fluctuation reserve upon deregistration of subsidiaries | | (198) | 1,410 |
| Release of exchange fluctuation reserve upon partial disposal of a joint venture | | 83 | – |
| Release of exchange fluctuation reserve upon deemed disposal of an associate | | 14 | – |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | | 9,468 | 6,254 |
| Other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods: | | | |
| (Loss) gain on property revaluation | 13 | (2,507) | 2,507 |
| Equity investments designated at fair value through other comprehensive income: | | | |
| Changes in fair value | | (1,409) | 93 |
| Income tax effect | | 352 | (23) |
| | | (1,057) | 70 |
| Net other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods | | (3,564) | 2,577 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | 5,904 | 8,831 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 12,067 | 20,124 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 11,946 | 17,077 |
| Non-controlling interests | | 121 | 3,047 |
| | | 12,067 | 20,124 |

Consolidated Statement of Financial Position

31 December 2025

| | Notes | 2025 HK\$'000 | 2024 HK\$'000 |
|--|-------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 132,039 | 139,896 |
| Investment properties | 14 | 124,070 | 120,518 |
| Right-of-use assets | 15(a) | 289 | 1,102 |
| Investment in a joint venture | 16 | – | 393 |
| Investments in associates | 17 | 22,415 | 25,654 |
| Equity investments designated at fair value through other comprehensive income | 18 | 54,722 | 54,661 |
| Trade receivables | 22 | 49,660 | 55,332 |
| Deposit paid for acquisition of investment properties | 23 | – | 1,425 |
| Total non-current assets | | 383,195 | 398,981 |
| CURRENT ASSETS | | | |
| Inventories | 19 | 14,590 | 14,067 |
| Properties held for sale | 20 | 299,222 | 291,984 |
| Trade receivables | 22 | 16,969 | 11,881 |
| Prepayments, other receivables and deposits | 23 | 34,082 | 53,558 |
| Contract assets | 21 | 12,502 | 28,849 |
| Financial assets at fair value through profit or loss | 26 | 38 | 4,895 |
| Restricted cash | 27 | 8,519 | – |
| Time deposits | 27 | 7,760 | – |
| Cash and cash equivalents | 27 | 38,247 | 52,586 |
| Total current assets | | 431,929 | 457,820 |
| CURRENT LIABILITIES | | | |
| Trade payables | 28 | 116,243 | 139,369 |
| Other payables and accruals | 29 | 110,772 | 102,041 |
| Contract liabilities | 21 | 16,728 | 36,307 |
| Amounts due to associates | 25 | 16,024 | 17,649 |
| Amounts due to related companies | 24 | 28,375 | 27,677 |
| Lease liabilities | 15(b) | 7,094 | 9,893 |
| Tax payables | | 122,136 | 135,052 |
| Total current liabilities | | 417,372 | 467,988 |
| NET CURRENT ASSETS (LIABILITIES) | | 14,557 | (10,168) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 397,752 | 388,813 |



Consolidated Statement of Financial Position

31 December 2025

| | Notes | 2025 HK\$'000 | 2024 HK\$'000 |
|---|-------|------------------|------------------|
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 15(b) | 53,529 | 56,493 |
| Deferred income | 30 | 6,643 | 6,479 |
| Deferred tax liabilities | 31 | 42,275 | 41,741 |
| Total non-current liabilities | | 102,447 | 104,713 |
| Net assets | | 295,305 | 284,100 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 32 | 353,043 | 353,043 |
| Shares held for Share Award Scheme | 33 | (8,169) | (8,169) |
| Treasury shares | 32 | (1,337) | (959) |
| Other reserves | 34 | (62,254) | (77,873) |
| | | 281,283 | 266,042 |
| Non-controlling interests | | 14,022 | 18,058 |
| Total equity | | 295,305 | 284,100 |

The consolidated financial statements on pages 51 to 142 were approved and authorised for issue by the board of directors on 18 March 2026 and are signed on its behalf by:

Xu Shengheng
Director

Liao Yuan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2025

| | Attributable to owners of the Company | | | | | | | | | | | | | | |
|---|---------------------------------------|-----------------------|--------------|-----------------|---------------|-------------------|---------------------|---------------------|-----------------|-----------------|---------------------|--------------------|----------|-----------------|--------------|
| | Notes | Shares held for Share | | | | Statutory reserve | Asset | | | Exchange | | | Total | Non-controlling | |
| | | Share capital | Award Scheme | Treasury shares | Share premium | | revaluation reserve | Contributed surplus | Special reserve | Capital reserve | fluctuation reserve | Accumulated losses | | interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2024 | | 353,043 | (8,169) | - | 906,013 | 11,045 | 28,728 | 154,381 | 7,553 | 84,772 | (11,879) | (1,275,563) | 249,924 | 28,666 | 278,590 |
| Profit for the year | | - | - | - | - | - | - | - | - | - | - | 10,759 | 10,759 | 534 | 11,293 |
| <i>Other comprehensive income (expense) for the year:</i> | | | | | | | | | | | | | | | |
| Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax | | - | - | - | - | - | - | - | - | 70 | - | - | 70 | - | 70 |
| Exchange differences arising from translation of foreign operations | | - | - | - | - | - | - | - | - | - | 3,663 | - | 3,663 | 1,757 | 5,420 |
| Gain on property revaluation | 13 | - | - | - | - | - | 2,507 | - | - | - | - | - | 2,507 | - | 2,507 |
| Release of exchange fluctuation reserve upon deregistration of subsidiaries (note 35) | | - | - | - | - | - | - | - | - | - | 654 | - | 654 | 756 | 1,410 |
| Share of other comprehensive expense of associates | | - | - | - | - | - | - | - | - | - | (497) | - | (497) | - | (497) |
| Share of other comprehensive expense of a joint venture | | - | - | - | - | - | - | - | - | - | (79) | - | (79) | - | (79) |
| Total comprehensive income (expense) for the year | | - | - | - | - | - | 2,507 | - | - | 70 | 3,741 | 10,759 | 17,077 | 3,047 | 20,124 |
| Deregistration of subsidiaries (note 35) | | - | - | - | - | (355) | - | - | - | - | - | 355 | - | (13,655) | (13,655) |
| Transfer of reserve | | - | - | - | - | 1,887 | - | - | - | - | - | (1,887) | - | - | - |
| Repurchase of shares | 32 | - | - | (959) | - | - | - | - | - | - | - | - | (959) | - | (959) |
| At 31 December 2024 | | 353,043 | (8,169) | (959) | 906,013 | 12,577 | 31,235 | 154,381 | 7,553 | 84,842 | (8,138) | (1,266,336) | 266,042 | 18,058 | 284,100 |



Consolidated Statement of Changes in Equity

Year ended 31 December 2025

| | Attributable to owners of the Company | | | | | | | | | | | | | | | |
|---|---------------------------------------|-----------------------|--------------|-----------------|---------------|-------------------|---------------------|---------------------|-----------------|-----------------|---------------------|---------------------|--------------------|----------|---------------------------|--------------|
| | Notes | Shares held for Share | | | Share premium | Statutory reserve | Asset | | Special reserve | Capital reserve | Exchange | | Accumulated losses | Total | Non-controlling interests | Total equity |
| | | Share capital | Award Scheme | Treasury shares | | | revaluation reserve | Contributed surplus | | | fluctuation reserve | fluctuation reserve | | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2025 | | 353,043 | (8,169) | (959) | 906,013 | 12,577 | 31,235 | 154,381 | 7,553 | 84,842 | (8,138) | (1,266,336) | 266,042 | 18,058 | 284,100 | |
| Profit (loss) for the year | | - | - | - | - | - | - | - | - | - | - | 7,118 | 7,118 | (955) | 6,163 | |
| <i>Other comprehensive (expense) income for the year:</i> | | | | | | | | | | | | | | | | |
| Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax | | - | - | - | - | - | - | - | - | (1,057) | - | - | (1,057) | - | (1,057) | |
| Exchange differences arising from translation of foreign operations | | - | - | - | - | - | - | - | - | - | 7,947 | - | 7,947 | 1,076 | 9,023 | |
| Loss on property revaluation | 13 | - | - | - | - | - | (2,507) | - | - | - | - | - | (2,507) | - | (2,507) | |
| Release of exchange fluctuation reserve upon deregistration of subsidiaries (note 35) | | - | - | - | - | - | - | - | - | - | (198) | - | (198) | - | (198) | |
| Share of other comprehensive income of associates | | - | - | - | - | - | - | - | - | - | 535 | - | 535 | - | 535 | |
| Share of other comprehensive income of a joint venture | | - | - | - | - | - | - | - | - | - | 11 | - | 11 | - | 11 | |
| Release of exchange fluctuation reserve upon partial disposal of a joint venture | | - | - | - | - | - | - | - | - | - | 83 | - | 83 | - | 83 | |
| Release of exchange fluctuation reserve upon deemed disposal of an associate | | - | - | - | - | - | - | - | - | - | 14 | - | 14 | - | 14 | |
| Total comprehensive (expense) income for the year | | - | - | - | - | - | (2,507) | - | - | (1,057) | 8,392 | 7,118 | 11,946 | 121 | 12,067 | |
| Deregistration of subsidiaries (note 35) | | - | - | - | - | (310) | - | - | - | - | - | 310 | - | (4,157) | (4,157) | |
| Transfer of reserve | | - | - | - | - | 585 | - | - | - | - | - | (585) | - | - | - | |
| Repurchase of shares | 32 | - | - | (1,384) | - | - | - | - | - | - | - | - | (1,384) | - | (1,384) | |
| Disposal of treasury shares | 32 | - | - | 1,006 | 339 | - | - | - | - | - | - | - | 1,345 | - | 1,345 | |
| Share of other reserves of an associate | | - | - | - | - | - | - | - | 3,334 | - | - | - | 3,334 | - | 3,334 | |
| At 31 December 2025 | | 353,043 | (8,169) | (1,337) | 906,352 | 12,852 | 28,728 | 154,381 | 10,887 | 83,785 | 254 | (1,259,493) | 281,283 | 14,022 | 295,305 | |

Consolidated Statement of Cash Flows

Year ended 31 December 2025

| | Notes | 2025 HK\$'000 | 2024 HK\$'000 |
|---|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss) Profit before tax | | (5,135) | 10,941 |
| Adjustments for: | | | |
| Finance costs | 7 | 3,178 | 3,544 |
| Interest income | 5 | (3,766) | (3,302) |
| Gain on partial disposal of a joint venture | 5 | (4,565) | – |
| Loss on deemed disposal of an associate | 6 | 2,401 | – |
| Loss (gain) on deregistration of subsidiaries, net | 35 | 365 | (4,758) |
| Loss on disposal of property, plant and equipment | 6 | 1,002 | – |
| Dividend income from equity investments designated at fair value through other comprehensive income | 5 | (3,235) | (2,512) |
| Depreciation of property, plant and equipment | 6 | 6,374 | 6,437 |
| Depreciation of right-of-use assets | 6 | 829 | 829 |
| Fair value changes on financial assets at fair value through profit or loss | 5 | (1,299) | (1,477) |
| Changes in fair value of investment properties | | 1,145 | 548 |
| Provision for (reversal of) impairment losses under expected credit loss model on contract assets, net | | 2,185 | (21,183) |
| Reversal of impairment losses under expected credit loss model on trade receivables, net | | (14,979) | (9,732) |
| Provision for impairment losses under expected credit loss model on other receivables and deposits, net | | 4,318 | 7,120 |
| Impairment losses on properties held for sale | 6 | 131 | 658 |
| Impairment losses on property, plant and equipment | 6 | 2,325 | – |
| Income from exempted payables | 5 | (8,010) | (12,386) |
| Share of results of associates | | 5,425 | 2,051 |
| Share of results of a joint venture | | (1,369) | 3,434 |
| Operating cash flows before movements in working capital | | (12,680) | (19,788) |
| Increase in inventories | | (166) | (1,150) |
| Decrease in trade receivables | | 17,237 | 14,059 |
| Decrease in prepayments, other receivables and deposits | | 14,481 | 2,065 |
| Decrease in contract assets | | 14,706 | 27,428 |
| Increase in restricted cash | | (8,519) | – |
| Decrease in trade payables | | (26,356) | (10,176) |
| Increase (decrease) in other payables and accruals | | 13,929 | (30,547) |
| Decrease in contract liabilities | | (20,274) | (1,809) |
| Decrease in amounts due to associates | | (2,047) | – |
| Decrease in amounts due to a joint venture | | – | (220) |
| Increase in amounts due to related companies | | – | 20 |
| Cash flows used in operations | | (9,689) | (20,118) |
| Income tax paid | | – | (3,046) |
| Net cash flows used in operating activities | | (9,689) | (23,164) |

Consolidated Statement of Cash Flows

Year ended 31 December 2025

| | Notes | 2025 HK\$'000 | 2024 HK\$'000 |
|---|-------|------------------|------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 5 | 3,766 | 3,302 |
| Dividend income from equity investments designated at fair value through other comprehensive income | 5 | 3,235 | 2,512 |
| Proceeds from partial disposal of a joint venture | 16 | 5,710 | – |
| Net cash outflows from deregistration of subsidiaries | 35 | (2,935) | – |
| (Placement) release of restricted cash | | – | 3,712 |
| (Placement) release of time deposits | | (7,760) | 689 |
| Purchase of property, plant and equipment | | (941) | (296) |
| Consideration receivable received | | – | 3,085 |
| Net proceeds from disposal of financial assets at fair value through profit of loss | | 6,404 | – |
| Net cash flows from investing activities | | 7,479 | 13,004 |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | | |
| New other borrowing raised | | 386 | 651 |
| Repayment of other borrowing | | (219) | (439) |
| Principal portion of lease payments | 36 | (7,220) | (6,620) |
| Interest paid | | (3,178) | (3,544) |
| Payments for repurchase of shares | | (1,384) | (959) |
| Proceeds from disposal of treasury shares | | 1,345 | – |
| Net cash flows used in financing activities | | (10,270) | (10,911) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (12,480) | (21,071) |
| Cash and cash equivalents at beginning of year | | 52,586 | 69,553 |
| Effect of foreign exchange rate changes, net | | (1,859) | 4,104 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 38,247 | 52,586 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 27 | 37,073 | 52,127 |
| Cash held at non-bank financial institutions | 27 | 1,174 | 459 |
| Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows | | 38,247 | 52,586 |

Notes to Consolidated Financial Statements

31 December 2025

1. CORPORATE AND GROUP INFORMATION

CHYY Development Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability with its shares listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section and the ultimate beneficial owner of the Company are disclosed in the “Report of the Directors” section in this annual report.

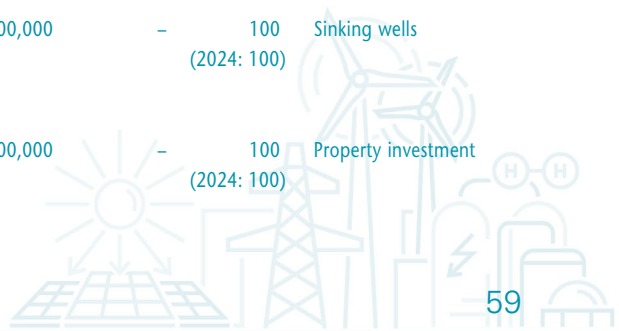
The Company and its subsidiaries (collectively referred as the “Group”) were involved in the following principal activities:

- Provision, installation and maintenance of shallow geothermal energy utilisation systems
- Trading of air conditioning/shallow geothermal heat pump products
- Investment in properties for their potential rental income
- Holding investment for medium to long-term strategic purposes and trading of securities and other types of investments

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary share/ paid up capital/ registered capital | Percentage of equity attributable to the Company | | Principal activities |
|--|---|--|--|--------------------|---|
| | | | Direct | Indirect | |
| CGSE Ever Source Group Limited | British Virgin Islands | US dollars (“US\$”) 166,667 | 100 (2024: 100) | – | Investment holding and trading of securities |
| Ever Source Science & Technology Co., Ltd.* (i) (ii) (“北京恒有源科技有限公司”) | People’s Republic of China (“PRC”) | US\$3,000,000 | – | 100 (2024: 100) | Technical know-how holding |
| Beijing Ever Source Geothermal Technology Service Co., Ltd.* (ii) (“北京恒有源地能熱冷技術服務有限公司”) | PRC | Renminbi (“RMB”) 3,000,000 | – | 100 (2024: 100) | Property management and technical support service |
| Ever Source Science & Technology Development Group Co., Ltd.* (i) (ii) (“恒有源科技發展集團有限公司”, “HY”)”) | PRC | RMB239,188,502 | – | 100 (2024: 100) | Production and sale of geothermal energy systems |
| Beijing Ever Source Environmental System Installation Limited* (ii) (“北京恒有源環境系統設備安裝工程有限公司”) | PRC | RMB50,000,000 | – | 100 (2024: 100) | Installation of energy systems |
| Heng Run Feng Reality (Dalian) Company Ltd.* (i) (ii) (“恒潤豐置業(大連)有限公司”) | PRC | US\$12,000,000 | – | 100 (2024: 100) | Property investment and development |
| Beijing Yuanquan Drilling Engineering Co., Ltd.* (ii) (“北京源泉鑽井工程有限公司”) | PRC | RMB500,000 | – | 100 (2024: 100) | Sinking wells |
| Mianyang Jinhengyuan DiNeng Technology Co., Ltd.* (ii) (“綿陽市金恒源地能科技”)”) | PRC | RMB10,000,000 | – | 100 (2024: 100) | Property investment |



Notes to Consolidated Financial Statements

31 December 2025

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

- (i) The subsidiaries are wholly-foreign-owned enterprises established in the PRC.
- (ii) The subsidiaries are registered as companies with limited liability under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material of such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosure required by the Rules Governing the Listing of Securities on GEM on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or at fair value at the end of each reporting period, as explained in the accounting policies set out below.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand except when otherwise indicated.

The directors of the Company have reviewed the Group’s cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2025 on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Notes to Consolidated Financial Statements

31 December 2025

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the respective subsidiaries upon liquidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences previously recognised in other comprehensive income released from equity to profit or loss; and recognises (i) the fair value of the consideration received, (ii) the fair value of any retained interest and (iii) any resulting gain or loss on derecognition of that subsidiary in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or transferred to another category of equity as permitted by applicable HKFRS Accounting Standards, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities of the subsidiary.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

The application of the amendments to an HKFRS Accounting Standard in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



Notes to Consolidated Financial Statements

31 December 2025

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

| | |
|--|---|
| Amendments to HKFRS 9 and HKFRS 7 | <i>Amendments to the Classification and Measurement of Financial Instruments²</i> |
| Amendments to HKFRS 10 and HKAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i> |
| Amendments to HKFRS Accounting Standards | <i>Annual Improvements to HKFRS Accounting Standards – Volume 11²</i> |
| Amendments to HKFRS 9 and HKFRS 7 HKFRS 18 | <i>Contracts Referring Nature – dependent Electricity² Presentation and Disclosure in Financial Statements³</i> |

- 1 Effective for annual periods beginning on or after a date to be determined.
- 2 Effective for annual periods beginning on or after 1 January 2026.
- 3 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9 and HKFRS 7: Amendments to the Classification and Measurement of Financial Instruments

The amendments to HKFRS 9 clarify the recognition and derecognition for financial asset and financial liability and add an exception which permits an entity to deem a financial liability to be discharged before the settlement date if it is settled in cash using an electronic payment system if, and only if certain conditions are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

The amendments also provide guidance on the assessment of whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. The amendments specify that an entity should focus on what an entity is being compensated for rather than the compensation amount. Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost. The amendments state that, in some cases, a contingent feature may give risk to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs. Furthermore, the description of the term “non-recourse” is enhanced and the characteristics of “contractually linked instruments” are clarified in the amendments.

Notes to Consolidated Financial Statements

31 December 2025

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

Amendments to HKFRS 9 and HKFRS 7: Amendments to the Classification and Measurement of Financial Instruments *(Continued)*

The disclosure requirements in HKFRS 7 *Financial Instruments: Disclosures* in respect of investment in equity instruments designated at fair value through other comprehensive income are amended. In particular, entities are required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. An entity is also required to disclose any transfers of the cumulative gain or loss within equity related to the investments derecognised during the reporting period. In addition, the amendments introduce the requirements of qualitative and quantitative disclosure of contractual terms that could affect the contractual cash flow based on a contingent event not directly relating to basic lending risks and cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. The amendments are required to be applied retrospectively, with specific exceptions. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standards, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of HKFRS 18) and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Shares* are also made.

HKFRS 18, and amendments to other standards, will effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. The Group is in process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Investments in associates and a joint venture

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. If the Group has retained significant influence or joint control over associates or joint venture after the disposal take place, the Group continues to account for the remaining interest using equity method. Adjustments are made to bring into line any differ accounting policies of associates and a joint venture that may exist to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition results and other comprehensive income of associates and the joint venture. In addition, when there has been a change recognised directly in the equity of the associate or the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Changes in net assets of the associate or a joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses resulting from transactions between the Group and its associates or the joint venture are eliminated to the extent of the Group's investments in the associates or the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Any excess of the cost of the investment over Group's share of fair value of identifiable assets and liabilities at acquisition date, is recognised as goodwill. Goodwill arising from the acquisition of associates or the joint venture is included as part of the Group's investments in associates or the joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investments in associates and a joint venture *(Continued)*

In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures and recognises any retained investment at its fair value at that date and the fair value is regarded as its fair value on initial recognition. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date at a market which is directly observable and taken into account the characteristics of assets or liabilities when pricing the assets or liabilities at measurement date. Otherwise, fair value is determined using another valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments, investment properties, and leasehold land and buildings which are stated at revalued amounts and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation techniques is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the whether the inputs are observable and lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (significant unobservable input)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between leasehold land and the building elements in the proportion to the relative fair values at initial recognition. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

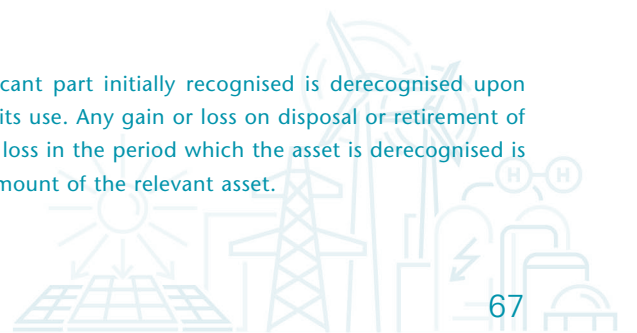
Revaluation of leasehold land and buildings are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount at the end of the reporting period. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve in other comprehensive income. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to accumulated losses as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| Categories | Estimated useful lives |
|--|--|
| Leasehold land and buildings | 50 years or over the lease terms, whichever is shorter |
| Leasehold improvements | 5 years or over the lease terms, whichever is shorter |
| Plant and machinery | 8 to 20 years |
| Computer equipment | 4 to 8 years |
| Office equipment, furniture and fixtures | 4 to 5 years |
| Motor vehicles | 5 to 8 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, estimated useful lives and the depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on disposal or retirement of an item of property, plant and equipment recognised in profit or loss in the period which the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investment properties

Investment properties are interests 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. Such properties are measured initially at cost, including transaction costs which including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value, adjusted to exclude any prepaid or accrued operating lease income which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the differences between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For a transfer from investment properties to owner-occupied properties or inventories, as evidence by commencement of owner-occupation, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment (excluding leasehold land and buildings which stated at revalued amount), right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties held for sale, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined on an individual basis, unless the asset does not generate cash inflows individually, and the assets are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate assets belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable), and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease based on the definition under HKFRS 16 *Leases*. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

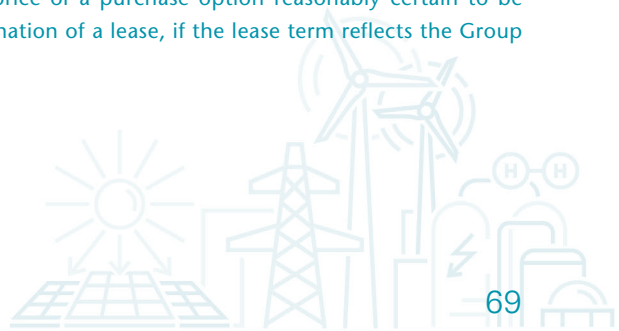
Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised at initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the leased property of 50 years.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease as the present value of unpaid lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

(b) Lease liabilities *(Continued)*

In calculating the present value of unpaid lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term unless another systematic is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Group as a lessor

When the Group acts as a lessor, it classifies each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are classified as operating leases, otherwise, they are classified as finance leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income from operating leases is recognised on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. A sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the recognition exemption under HKFRS 16, the Group classifies the sublease as an operating lease.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets

Initial recognition and measurement

Financial assets are recognised when a group equity becomes a party to the contractual provisions of the instrument and are classified, either subsequently (i) measured at amortised cost, or (ii) at fair value through other comprehensive income (“FVTOCI”), or (iii) at fair value through profit or loss (“FVTPL”).

The Group classified its financial assets, depending on the Group’s business model for managing the financial assets and the contractual terms of the related cash flows, under the following measurement categories:

- Those to be measured at amortised cost; and
- Those to be measured at fair value (either through other comprehensive income, or through profit or loss)

At initial recognition, financial assets are measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. In case of a financial asset not measured at FVTPL, transaction costs that are directly attributable to the acquisition of a financial asset are added to fair value of the financial assets on initial recognition. Transaction costs of acquisition of financial assets measured at FVTPL are expensed in profit or loss immediately when incurred.

- (i) The Group’s financial assets measured at amortised cost represent those financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.
- (ii) For equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for these equity investments at FVTOCI.
- (iii) Financial assets that do not meet the criteria for amortised cost or are not elected or classified as FVTOCI are classified as FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Subsequent measurement

The subsequent measurement of financial assets in its entirety at either amortised cost or fair value depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) *(Continued)*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Equity instruments designated at FVTOCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVTOCI and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains or loss arising from changes in fair value of an equity instrument are recognised in other comprehensive income and accumulated in the capital reserve, and not subject to impairment assessment.

The cumulative gain or loss on these financial assets are never recycled to profit or loss on disposal of the equity instrument. Dividends from these investments in equity instruments are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

The cumulated gains or losses on capital reserve are transferred to accumulated losses upon disposal of such equity instruments.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value at the end of each reporting period with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in capital reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group recognises an allowance for expected credit losses (“ECLs”) for all financial assets (including trade receivables, other receivables and deposits, contract assets, amounts due from associates, bank balances, restricted cash and time deposits) under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The measurement of expected credit loss (“ECL”) is a function of the probability of default, loss given default (i.e. magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL).

Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and assessment of past events and current conditions at the reporting date as well as forecast of future economic conditions.

At each reporting date, the Group assesses all financial instruments (other than trade receivables, contract assets and finance lease receivables included in trade receivables in the consolidated statement of financial position) based on 12-month ECL and assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the economic information that the Group's debtors operate, obtained from governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- An actual or expected significantly deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtors;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtors; and an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instruments has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an external credit rating of "investment grade" as globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

General approach *(Continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulty of the issuer or the borrower;
- (b) A breach of contract, such as a default or past due event;
- (c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets, and lease receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets, and lease receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has used a practical expedient in estimating ECL using a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate, that is available without under cost or effort.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)* ***Simplified approach (Continued)***

For lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivables in accordance with HKFRS 16.

Lifetime ECL for trade receivables and contract assets, and lease receivables are considered on a collective basis taking into consideration past due information, nature and industry of debtors, and relevant credit information such as forward-looking macroeconomic information.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the “Other income and gains” or “Other expenses and losses” line item as part of the net foreign exchange gains/losses;
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss in “Other income and gains” or “Other expenses and losses” line items as part of the fair value gain (losses) from changes in fair value of financial assets at FVTPL;
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the capital reserve.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when a group entity becomes a party to the contractual provision of the instruments and are classified based on the substance of the contractual arrangements and the definitions of a financial liability, at initial recognition, as at amortised cost.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group’s financial liabilities include trade payables, other payables and amounts due to associates and a joint venture and related companies.

Financial liabilities at amortised cost

After initial recognition, all financial liabilities of the Group are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other income and gains" or "Other expenses and losses" line items in the profit or loss as "net foreign exchange gains or losses".

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from the past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and costs necessary to make the sale.

Properties held for sale

Properties held for sale which are intended to be sold are classified as current assets. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

Bank balances for which use by the Group is subject to third party contractual restrictions or regulatory restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions or regulatory restrictions affecting use of bank balances are disclosed in note 27.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax expense comprises current and deferred income tax expense. Current and deferred tax are recognised in profit or loss. Income tax relating to items recognised in other comprehensive income or directly in equity in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided for all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and there will be sufficient taxable profit available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the grants are recognised as deferred income in the consolidated statement of financial position at initial recognition and is released to profit or loss on a systematic and rational basis over the expected useful life of the relevant asset.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains".

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Some contracts for the sale of industrial products provide customers with rights of return which gives rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue recognition *(Continued)*

(b) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer that the Group has transferred to a customer that is not yet unconditional before the customer pays consideration or before payment is due. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Retirement benefit costs

Payments to defined contribution benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

The Company operates share award/share options schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the equity instruments are granted.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve).



Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Share-based payments *(Continued)*

The cost of equity-settled transactions is recognised in employee benefit expense on a straight-line basis over the vesting period, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Share-based payment expense charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

For shares awards/share options that vest immediately at the date of grant, the fair value of the share awards/share options granted is expensed immediately to profit or loss.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For share awards/share options that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where share awards/share options include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When share awards granted are vested, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to Consolidated Financial Statements

31 December 2025

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars (“HK\$”) which is also the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using its functional currency. Foreign currency transactions recorded by the entities in their individual’s financial statements are initially recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or retranslation of monetary items are recognised in profit or loss in the period which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not retranslated. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the respective item (i.e., whose fair value gain or loss is recognised in other comprehensive income or profit or loss respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

At the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the exchange rates prevailing at the end of the reporting period and profit or loss items are translated at the average exchange rates that approximate for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve (attributable to non-controlling interests as appropriate). On disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that include a foreign operation of which the retained interest become a financial asset), all of the exchange differences accumulated in other comprehensive income relating to that particular foreign operation attributable to the owners of the Company is reclassified to profit or loss.

For all other partial disposals (i.e. partial disposals of associates or joint arrangement that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars (“HK\$”) at the weighted average exchange rates for the year.



Notes to Consolidated Financial Statements

31 December 2025

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Critical judgements

In the process of applying the Group's accounting policies described in Note 2, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) *Determining the method to estimate variable consideration and assessing the constraint for construction services*

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

(ii) *Determining the timing of satisfaction of construction services*

The Group concluded that revenue from construction services is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group determined that the input method is the best method in measuring the progress of the construction services because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the costs incurred relative to the total expected costs to complete the services.

Notes to Consolidated Financial Statements

31 December 2025

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

Estimation of fair value of investment properties and leasehold land and buildings

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amounts of investment properties and leasehold land and buildings which under revaluation amount as at 31 December 2025 were approximately HK\$124,070,000 (2024: approximately HK\$120,518,000) and approximately HK\$125,664,000 (2024: approximately HK\$131,762,000), respectively. Further details, including the key assumptions used for fair value measurement, are given in notes 14 and 13 to the consolidated financial statements.

Provision for ECLs on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables (including finance lease receivables) and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, aging, customer type and external credit rating, if any).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.



Notes to Consolidated Financial Statements

31 December 2025

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Provision for ECLs on trade receivables and contract assets (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 22 and 21 to the consolidated financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief executive officer, being the chief operating decision maker ("CODM"), that are used to make strategic decisions.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Shallow geothermal energy segment – provision, installation and maintenance of shallow geothermal energy utilisation systems;
- (b) Air conditioning/shallow geothermal heat pump segment – trading of air conditioning/shallow geothermal heat pump products;
- (c) Property investment and development segment – investments in properties for their potential rental income; and
- (d) Securities investment and trading segment – holding investment for medium to long-term strategic purposes and trading of securities and other types of investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that share of results of associates and a joint venture, interest income, certain other income, certain administration costs and unallocated finance costs are excluded from such measurement.

Segment assets exclude certain investments in associates and a joint venture, time deposits, restricted cash, and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude certain amounts due to associates, a joint venture and related companies, deferred tax liabilities and tax payables as these liabilities are managed on a group basis.

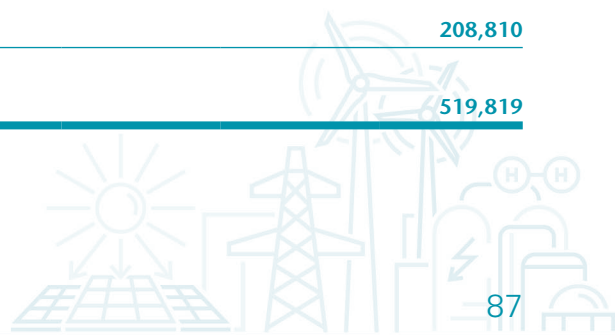
Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to Consolidated Financial Statements

31 December 2025

4. OPERATING SEGMENT INFORMATION (Continued)

| Year ended 31 December 2025 | Shallow geothermal energy HK\$'000 | Air conditioning/ shallow geothermal heat pump HK\$'000 | Property investment and development HK\$'000 | Securities investment and trading HK\$'000 | Total HK\$'000 |
|---|---|--|--|---|-------------------|
| Segment revenue | | | | | |
| Sales to external customers | 42,315 | 153 | 5,367 | – | 47,835 |
| Intersegment sales | 67 | – | 1,120 | – | 1,187 |
| | 42,382 | 153 | 6,487 | – | 49,022 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment sales | | | | | (1,187) |
| Revenue | | | | | 47,835 |
| Segment results | (11,526) | (723) | (3,198) | 1,299 | (14,148) |
| <i>Reconciliation:</i> | | | | | |
| Share of results of a joint venture | | | | | 1,369 |
| Share of results of associates | | | | | (5,425) |
| Unallocated other income | | | | | 27,171 |
| Unallocated finance costs | | | | | (333) |
| Corporate and other unallocated expenses | | | | | (13,769) |
| Loss before tax | | | | | (5,135) |
| Segment assets | 251,452 | 66 | 485,861 | 55,163 | 792,542 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment receivables | | | | | (54,359) |
| Corporate and other unallocated assets | | | | | 76,941 |
| Total assets | | | | | 815,124 |
| Segment liabilities | 270,105 | 81 | 90,538 | 4,644 | 365,368 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment payables | | | | | (54,359) |
| Corporate and other unallocated liabilities | | | | | 208,810 |
| Total liabilities | | | | | 519,819 |



Notes to Consolidated Financial Statements

31 December 2025

4. OPERATING SEGMENT INFORMATION (Continued)

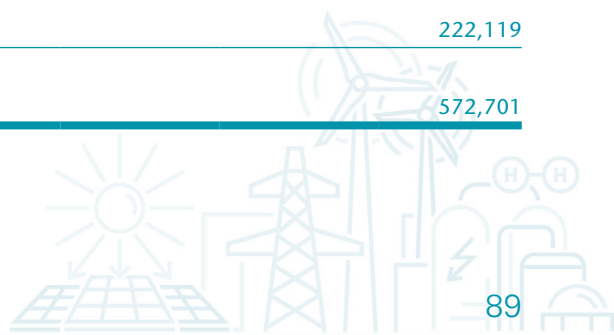
| Year ended | Shallow geothermal energy HK\$'000 | Air conditioning/ shallow geothermal heat pump HK\$'000 | Property investment and development HK\$'000 | Securities investment and trading HK\$'000 | Total HK\$'000 |
|---|---|--|--|---|-------------------|
| 31 December 2025 | | | | | |
| Other segment information: | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Depreciation of property, plant and equipment | 6,370 | – | 4 | – | 6,374 |
| Depreciation of right-of-use assets | 829 | – | – | – | 829 |
| Reversal of impairment losses under expected credit loss model on trade receivables, net | (14,654) | – | (325) | – | (14,979) |
| Provision for impairment losses under expected credit loss model on other receivables and deposits, net | 2,775 | – | 1,543 | – | 4,318 |
| Provision for impairment losses under expected credit loss model on contract assets, net | 2,185 | – | – | – | 2,185 |
| Impairment losses on properties held for sale | – | – | 131 | – | 131 |
| Impairment losses on property, plant and equipment | 2,325 | – | – | – | 2,325 |

Notes to Consolidated Financial Statements

31 December 2025

4. OPERATING SEGMENT INFORMATION (Continued)

| Year ended 31 December 2024 | Shallow geothermal energy HK\$'000 | Air conditioning/ shallow geothermal heat pump HK\$'000 | Property investment and development HK\$'000 | Securities investment and trading HK\$'000 | Total HK\$'000 |
|---|---|--|--|---|-------------------|
| Segment revenue | | | | | |
| Sales to external customers | 62,918 | 709 | 6,002 | – | 69,629 |
| Intersegment sales | – | – | 5,979 | – | 5,979 |
| | 62,918 | 709 | 11,981 | – | 75,608 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment sales | | | | | (5,979) |
| Revenue | | | | | 69,629 |
| Segment results | 3,283 | (3,412) | 7,614 | 87 | 7,572 |
| <i>Reconciliation:</i> | | | | | |
| Share of results of a joint venture | | | | | (3,434) |
| Share of results of associates | | | | | (2,051) |
| Unallocated other income | | | | | 25,150 |
| Unallocated finance costs | | | | | (397) |
| Corporate and other unallocated expenses | | | | | (15,899) |
| Profit before tax | | | | | 10,941 |
| Segment assets | 292,288 | 6 | 480,181 | 60,019 | 832,494 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment receivables | | | | | (54,326) |
| Corporate and other unallocated assets | | | | | 78,633 |
| Total assets | | | | | 856,801 |
| Segment liabilities | 304,102 | – | 89,650 | 11,156 | 404,908 |
| <i>Reconciliation:</i> | | | | | |
| Elimination of intersegment payables | | | | | (54,326) |
| Corporate and other unallocated liabilities | | | | | 222,119 |
| Total liabilities | | | | | 572,701 |



Notes to Consolidated Financial Statements

31 December 2025

4. OPERATING SEGMENT INFORMATION (Continued)

| Year ended | Shallow geothermal energy HK\$'000 | Air conditioning/ shallow geothermal heat pump HK\$'000 | Property investment and development HK\$'000 | Securities investment and trading HK\$'000 | Total HK\$'000 |
|------------------|---|--|--|---|-------------------|
| 31 December 2024 | | | | | |

Other segment information:

Amounts included in the measure
of segment profit or loss or segment
assets:

| | | | | | |
|---|----------|---|---------|---|----------|
| Depreciation of property, plant and equipment | 6,413 | – | 24 | – | 6,437 |
| Depreciation of right-of-use assets | 829 | – | – | – | 829 |
| Reversal of impairment losses under expected credit loss model on trade receivables, net | (6,166) | – | (3,566) | – | (9,732) |
| Provision for impairment losses under expected credit loss model on other receivables and deposits, net | 7,120 | – | – | – | 7,120 |
| Reversal of impairment losses under expected credit loss model on contract assets, net | (21,283) | – | – | – | (21,183) |
| Impairment losses on properties held for sale | – | – | 658 | – | 658 |

Geographical information

The Group's operations are mainly located in the PRC. All of the Group's revenue from external customers, which is based on the locations where the services were provided or the goods were delivered, and all of the Group's non-current assets are located in the PRC.

Information about major customers

There are no customers contribute over 10% of the total revenue of the Group for the year ended 31 December 2025 and 2024.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Revenue from contracts with customers | 42,468 | 63,627 |
| Revenue from other sources | | |
| Gross rental income from investment property operating leases: | | |
| Other lease payments, including fixed payments | 5,367 | 6,002 |
| | 47,835 | 69,629 |

Notes to Consolidated Financial Statements

31 December 2025

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(a) *Disaggregated revenue information*

For the year ended 31 December 2025

| | Shallow geothermal energy HK\$'000 | Air conditioning/ shallow geothermal heat pump HK\$'000 | Total HK\$'000 |
|--|---|---|-------------------|
| Types of goods or services: | | | |
| Sale of industrial products | – | 153 | 153 |
| Construction services | 42,315 | – | 42,315 |
| Total revenue from contracts with customers | 42,315 | 153 | 42,468 |

Timing of revenue recognition:

| | | | |
|--|---------------|------------|---------------|
| Goods transferred at a point in time | – | 153 | 153 |
| Services transferred over time | 42,315 | – | 42,315 |
| Total revenue from contracts with customers | 42,315 | 153 | 42,468 |

For the year ended 31 December 2024

| | Shallow geothermal energy HK\$'000 | Air conditioning/ shallow geothermal heat pump HK\$'000 | Total HK\$'000 |
|--|---|---|-------------------|
| Types of goods or services: | | | |
| Sale of industrial products | – | 709 | 709 |
| Construction services | 62,918 | – | 62,918 |
| Total revenue from contracts with customers | 62,918 | 709 | 63,627 |

Timing of revenue recognition:

| | | | |
|--|---------------|------------|---------------|
| Goods transferred at a point in time | – | 709 | 709 |
| Services transferred over time | 62,918 | – | 62,918 |
| Total revenue from contracts with customers | 62,918 | 709 | 63,627 |



Notes to Consolidated Financial Statements

31 December 2025

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) *Disaggregated revenue information (Continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

| | 2025 <i>HK\$'000</i> | 2024 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Construction services | 10,920 | 17,952 |

(b) *Performance obligations*

Information about the Group's performance obligations are summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 90 days from delivery. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The construction services are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

All the amounts of transaction prices allocated to the performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Notes to Consolidated Financial Statements

31 December 2025

5. REVENUE, OTHER INCOME AND GAINS (Continued)

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Other income | | |
| Interest income | 3,766 | 3,302 |
| Sale of scrap materials | 3,602 | 219 |
| Government grants (note i) | 1,045 | 1,107 |
| Dividend income from equity investments designated at fair value through other comprehensive income | 3,235 | 2,512 |
| Income from exempted payables (note ii) | 8,010 | 12,386 |
| Others | 2,816 | 865 |
| | 22,474 | 20,391 |
| Other gains | | |
| Gain on deregistration of subsidiaries, net (note 35) | – | 4,758 |
| Gain on partial disposal of a joint venture (note 16) | 4,565 | – |
| Fair value gain on financial assets at fair value through profit or loss | 1,299 | 1,477 |
| | 5,864 | 6,235 |
| | 28,338 | 26,626 |

Notes:

- (i) Government grants have been received in respect of certain heating projects of the Group. There are no unfulfilled conditions or contingencies relating to these grants.
- (ii) In previous year, the Group has undergone certain litigation proceedings with its subcontractors in regard of the unsettled construction costs. During the years ended 31 December 2025 and 2024, the litigation was finalised and resulted in releasing the provision previously made by the Group to profit or loss.



Notes to Consolidated Financial Statements

31 December 2025

6. (LOSS) PROFIT BEFORE TAX

The Group's (loss) profit before tax is arrived at after charging:

| | Notes | 2025 HK\$'000 | 2024 HK\$'000 |
|---|-------|------------------|------------------|
| Cost of inventories sold | | 36 | 287 |
| Cost of services provided | | 35,357 | 56,625 |
| Depreciation of property, plant and equipment | 13 | 6,374 | 6,437 |
| Depreciation of right-of-use assets | 15(a) | 829 | 829 |
| Research and development costs | | 2,743 | 822 |
| Short term lease payments | | 278 | – |
| Auditor's remuneration | | 1,594 | 1,664 |
| Employee benefit expense (including directors' and chief executives' remuneration): | | | |
| Wages and salaries | | 24,314 | 26,533 |
| Pension scheme contributions | | 3,175 | 2,382 |
| | | 27,489 | 28,915 |
| Impairment losses on properties held for sale | | 131 | 658 |
| Impairment losses on property, plant and equipment* | | 2,325 | – |
| Loss on deregistration of subsidiaries* | | 365 | – |
| Loss on deemed disposal of an associate* | | 2,401 | – |
| Loss on disposal of property, plant and equipment* | | 1,002 | – |

* Those items are included as "other expenses and losses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Interest on other borrowing (note 29) | 333 | 397 |
| Interest on lease liabilities (note 15(b)) | 2,845 | 3,147 |
| | 3,178 | 3,544 |

Notes to Consolidated Financial Statements

31 December 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Fees | 510 | 510 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 3,358 | 4,556 |
| Pension scheme contributions | 55 | 43 |
| | 3,413 | 4,599 |
| | 3,923 | 5,109 |

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | Fees HK\$'000 | Equity-settled share award expense HK\$'000 | Total remuneration HK\$'000 |
|--------------------------------------|------------------|--|-----------------------------------|
| 2025 | | | |
| Mr. Zhang Honghai | 170 | – | 170 |
| Mr. Wu Qiang (<i>note (1)</i>) | 41 | – | 41 |
| Mr. Guan Chenghua | 170 | – | 170 |
| Mr. Guo Guanglei (<i>note (2)</i>) | 129 | – | 129 |
| | 510 | – | 510 |
| 2024 | | | |
| Mr. Zhang Honghai | 170 | – | 170 |
| Mr. Wu Qiang (<i>note (1)</i>) | 170 | – | 170 |
| Mr. Guan Chenghua | 170 | – | 170 |
| | 510 | – | 510 |



Notes to Consolidated Financial Statements

31 December 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

| | Salaries, allowances and benefits in kind <i>HK\$'000</i> | Equity-settled share award expense <i>HK\$'000</i> | Pension scheme contributions <i>HK\$'000</i> | Total remuneration <i>HK\$'000</i> |
|--------------------------|--|---|--|--|
| 2025 | | | | |
| Chief executive: | | | | |
| Mr. Yang Mingzhong | 556 | – | 37 | 593 |
| | 556 | – | 37 | 593 |
| Executive directors: | | | | |
| Mr. Xu Shengheng | 2,500 | – | 18 | 2,518 |
| Mr. Dai Qi | 122 | – | – | 122 |
| | 2,622 | – | 18 | 2,640 |
| Non-executive directors: | | | | |
| Mr. Liao Yuan | 60 | – | – | 60 |
| Ms. Liu Ening | 60 | – | – | 60 |
| Mr. Zhang Yiyi | 60 | – | – | 60 |
| | 180 | – | – | 180 |
| | 3,358 | – | 55 | 3,413 |

Notes to Consolidated Financial Statements

31 December 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

| | Salaries, allowances and benefits in kind <i>HK\$'000</i> | Equity-settled share award expense <i>HK\$'000</i> | Pension scheme contributions <i>HK\$'000</i> | Total remuneration <i>HK\$'000</i> |
|---|--|---|--|--|
| 2024 | | | | |
| Chief executive: | | | | |
| Mr. Yang Mingzhong | 723 | – | 17 | 740 |
| | 723 | – | 17 | 740 |
| Executive directors: | | | | |
| Ms. Chan Wai Kay, Katherine (note (3)) | 641 | – | 8 | 649 |
| Mr. Zhang Wei (note (4)) | 382 | – | – | 382 |
| Mr. Xu Shengheng | 2,500 | – | 18 | 2,518 |
| Mr. Dai Qi | 130 | – | – | 130 |
| | 3,653 | – | 26 | 3,679 |
| Non-executive directors: | | | | |
| Ms. Liu Ening | 60 | – | – | 60 |
| Mr. Zhang Yiyang | 60 | – | – | 60 |
| Mr. Liao Yuan | 60 | – | – | 60 |
| | 180 | – | – | 180 |
| | 4,556 | – | 43 | 4,599 |



Notes to Consolidated Financial Statements

31 December 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

Notes:

- (1) Mr. Wu Qiang resigned as independent non-executive director with effective on 28 March 2025.
- (2) Mr. Guo Guanglei was appointed as independent non-executive director with effective on 28 March 2025.
- (3) Ms. Chan Wai Kay, Katherine retired as executive director with effective on 7 June 2024.
- (4) Mr. Zhang Wei was appointed as executive director with effective on 28 March 2024 and resigned as executive director with effective on 21 October 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one directors and chief executive (2024: two directors and chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of three (2024: two) highest paid employee who is neither a director nor chief executive of the Company are as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 2,730 | 2,070 |
| Pension scheme contributions | 72 | 18 |
| | 2,802 | 2,088 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|-----------------------------|---------------------|----------|
| | 2025 | 2024 |
| Nil to HK\$1,000,000 | 2 | 1 |
| HK\$1,000,001–HK\$1,500,000 | 1 | 1 |
| | 3 | 2 |

Notes to Consolidated Financial Statements

31 December 2025

10. INCOME TAX CREDIT

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group was not subject to any income tax in the Cayman Islands and the BVI during both years.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, except as stated below, the tax rate of all the other PRC subsidiaries is 25% from 1 January 2008 onwards.

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| PRC Enterprise Income Tax | | |
| Overprovision in respect of current tax in prior years | (10,979) | (51) |
| Deferred taxation (<i>note 31</i>) | (319) | (301) |
| Income tax credit | (11,298) | (352) |

A reconciliation of taxation applicable to (loss) profit before tax at statutory tax rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| (Loss) profit before tax | (5,135) | 10,941 |
| Tax at statutory tax rate of 25% | (1,284) | 2,735 |
| Tax effect of share of results of a joint venture and associates | 1,014 | 1,371 |
| Utilisation of tax losses previously not recognised | (3,457) | (6,401) |
| Income not subject to tax | (2,891) | (1,334) |
| Expenses not deductible for tax | 4,417 | 4,185 |
| Utilisation of deductible temporary differences previously not recognised | (3,327) | (3,408) |
| Tax losses and deductible temporary differences not recognised | 5,209 | 2,551 |
| Over-provision in prior years | (10,979) | (51) |
| Income tax credit for the year | (11,298) | (352) |



Notes to Consolidated Financial Statements

31 December 2025

11. DIVIDENDS

During the years ended 31 December 2025 and 2024, no final dividend was declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 31 December 2025 has been proposed by the directors of the Company (2024: nil).

12. EARNINGS PER SHARE

(a) The calculations of basic and diluted earnings per share are based on:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Profit attributable to owners of the Company | 7,118 | 10,759 |
| | Number of shares | |
| | 2025 '000 | 2024 '000 |
| Shares | | |
| Weighted average number of ordinary shares (excluding treasury shares) used in the basic and diluted earnings per share calculations | 4,511,051 | 4,523,200 |

(b) Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account weighted average number of additional ordinary shares that would have been outstanding assuming the awarded shares have been vested and exercised, i.e. the dilutive potential ordinary shares.

| | 2025 | 2024 |
|---|------|--------|
| Diluted earnings per share (HK\$ cents per share) | 0.16 | (Note) |

Weighted average number of shares used as the denominator:

| | 2025 '000 | 2024 '000 |
|--|--------------|--------------|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 4,511,051 | 4,523,200 |
| Adjustments for calculation of diluted earnings per share on awarded shares | 618 | – |
| Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating the diluted earnings per share | 4,511,669 | 4,523,200 |

Note:

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 4,511,051,081 (2024: approximately 4,523,200,048) in issue (excluding treasury shares) during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2024.

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13. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Plant and machinery HK\$'000 | Computer equipment HK\$'000 | Office equipment, furniture and fixtures HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|--|---------------------------------------|------------------------------------|-----------------------------------|---|-------------------------------|-------------------|
| 31 December 2025 | | | | | | | |
| At 1 January 2025: | | | | | | | |
| Cost or valuation | 131,762 | 3,602 | 81,036 | 3,202 | 12,672 | 8,319 | 240,593 |
| Accumulated depreciation and impairment | - | (3,586) | (74,170) | (3,107) | (11,940) | (7,894) | (100,697) |
| Net carrying amount | 131,762 | 16 | 6,866 | 95 | 732 | 425 | 139,896 |
| At 1 January 2025, net of accumulated depreciation and impairment | | | | | | | |
| | 131,762 | 16 | 6,866 | 95 | 732 | 425 | 139,896 |
| Additions | - | - | 496 | - | - | 445 | 941 |
| Disposals | - | - | (456) | - | (2) | (544) | (1,002) |
| Depreciation provided during the year | (4,494) | - | (1,802) | (17) | - | (61) | (6,374) |
| Revaluation | (2,507) | - | - | - | - | - | (2,507) |
| Impairment losses | (2,325) | - | - | - | - | - | (2,325) |
| Exchange realignment | 3,228 | 1 | 165 | 3 | 6 | 7 | 3,410 |
| At 31 December 2025, net of accumulated depreciation and impairment | | | | | | | |
| | 125,664 | 17 | 5,269 | 81 | 736 | 272 | 132,039 |
| At 31 December 2025: | | | | | | | |
| Cost or valuation | 125,664 | 3,619 | 83,491 | 3,273 | 12,813 | 8,299 | 237,159 |
| Accumulated depreciation and impairment | - | (3,602) | (78,222) | (3,192) | (12,077) | (8,027) | (105,120) |
| Net carrying amount | 125,664 | 17 | 5,269 | 81 | 736 | 272 | 132,039 |



Notes to Consolidated Financial Statements

31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Leasehold land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Plant and machinery HK\$'000 | Computer equipment HK\$'000 | Office equipment, furniture and fixtures HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|--|---------------------------------------|------------------------------------|-----------------------------------|---|-------------------------------|-------------------|
| 31 December 2024 | | | | | | | |
| At 1 January 2024: | | | | | | | |
| Cost or valuation | 136,552 | 3,617 | 83,127 | 3,219 | 12,796 | 8,142 | 247,453 |
| Accumulated depreciation and impairment | – | (3,600) | (74,114) | (3,151) | (12,056) | (7,923) | (100,844) |
| Net carrying amount | 136,552 | 17 | 9,013 | 68 | 740 | 219 | 146,609 |
| At 1 January 2024, net of accumulated depreciation and impairment | | | | | | | |
| | 136,552 | 17 | 9,013 | 68 | 740 | 219 | 146,609 |
| Additions | – | – | – | 44 | – | 252 | 296 |
| Depreciation provided during the year | (4,406) | – | (1,978) | (13) | (2) | (38) | (6,437) |
| Revaluation | 2,507 | – | – | – | – | – | 2,507 |
| Exchange realignment | (2,891) | (1) | (169) | (4) | (6) | (8) | (3,079) |
| At 31 December 2024, net of accumulated depreciation and impairment | | | | | | | |
| | 131,762 | 16 | 6,866 | 95 | 732 | 425 | 139,896 |
| At 31 December 2024: | | | | | | | |
| Cost or valuation | 131,762 | 3,602 | 81,036 | 3,202 | 12,672 | 8,319 | 240,593 |
| Accumulated depreciation and impairment | – | (3,586) | (74,170) | (3,107) | (11,940) | (7,894) | (100,697) |
| Net carrying amount | 131,762 | 16 | 6,866 | 95 | 732 | 425 | 139,896 |

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by CHFT Advisory and Appraisal Limited (2024: CHFT Advisory and Appraisals Limited) (the "Valuer"), an independent external valuer, estimated at fair value of approximately HK\$125,664,000 (2024: approximately HK\$131,762,000). In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to Consolidated Financial Statements

31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold land and buildings:

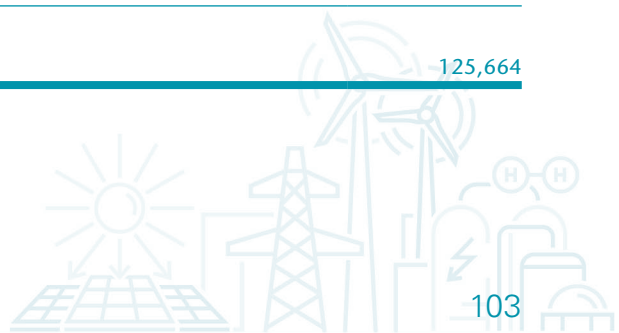
| Recurring fair value measurement for: | Fair value measurement as at 31 December 2025 using | | | Total HK\$'000 |
|---------------------------------------|---|--|--|-------------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | HK\$'000 | HK\$'000 | HK\$'000 | |
| | | | | |
| Office buildings, the PRC | – | – | 125,664 | 125,664 |

| Recurring fair value measurement for: | Fair value measurement as at 31 December 2024 using | | | Total HK\$'000 |
|---------------------------------------|---|--|--|-------------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | HK\$'000 | HK\$'000 | HK\$'000 | |
| | | | | |
| Office buildings, the PRC | – | – | 131,762 | 131,762 |

During both years, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

| | Office buildings in the PRC HK\$'000 |
|--|--|
| Carrying amount at 31 December 2023 and 1 January 2024 | 136,552 |
| Depreciation provided during the year | (4,406) |
| Exchange realignment | (2,891) |
| Revaluation recognised in other comprehensive income | 2,507 |
| Carrying amount at 31 December 2024 and 1 January 2025 | 131,762 |
| Depreciation provided during the year | (4,494) |
| Exchange realignment | 3,228 |
| Impairment loss recognised in profit or loss | (2,325) |
| Revaluation recognised in other comprehensive income | (2,507) |
| Carrying amount at 31 December 2025 | 125,664 |



Notes to Consolidated Financial Statements

31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value hierarchy (Continued)

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of leasehold land and buildings:

| Carrying value of leasehold land and buildings held by the Group | Valuation techniques | Significant unobservable inputs | Relationship of significant unobservable inputs to fair value |
|--|--|---|---|
| Office buildings, the PRC | Income approach (2024: income approach) | Market yield of 6.30% (2024: 6.30%) | An increase in the market yield would result in a decrease in fair value |
| | | Market unit rent of RMB4.17 (2024: RMB4.27) per sq.m. per day | An increase in the market unit rent would result in an increase in fair value |

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and accumulated impairment, if any, of approximately HK\$103,861,000 (2024: approximately HK\$107,426,000).

14. INVESTMENT PROPERTIES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--------------------------------|------------------|------------------|
| Carrying amount at 1 January | 120,518 | 123,703 |
| Transfer from deposit | 1,446 | – |
| Exchange realignment | 3,251 | (2,637) |
| Fair value changes | (1,145) | (548) |
| Carrying amount at 31 December | 124,070 | 120,518 |

As at 31 December 2025, the Group was in the process of obtaining the ownership certificates for investment properties of a carrying amount of approximately HK\$122,675,000 (2024: approximately HK\$120,518,000). In the opinion of the directors of the Company, the absence of a formal title to these properties does not cause the impairment of their values to the Group as the Group has paid the full purchase consideration of these properties and the probability of being evicted on the ground of the absence of a formal title is remote.

The Group's investment properties consist of industrial and ancillary properties and residential properties, based on the nature, characteristics and risks of each property. The Group's investment properties were measured at fair value on 31 December 2025 based on valuations performed by the Valuer (2024: same). In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Some investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the consolidated financial statements.

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14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| Fair value measurement as at 31 December 2025 using | | | | |
|---|---|---|---|--------------------------|
| | Quoted prices in active markets (Level 1) <i>HK\$'000</i> | Significant observable inputs (Level 2) <i>HK\$'000</i> | Significant unobservable inputs (Level 3) <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Recurring fair value measurement for: | | | | |
| Industrial and ancillary properties | – | – | 122,675 | 122,675 |
| Residential properties | – | 1,395 | – | 1,395 |
| | – | 1,395 | 122,675 | 124,070 |

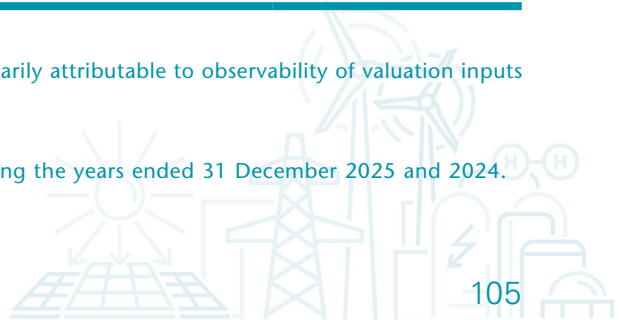
| Fair value measurement as at 31 December 2024 using | | | | |
|---|---|---|---|--------------------------|
| | Quoted prices in active markets (Level 1) <i>HK\$'000</i> | Significant observable inputs (Level 2) <i>HK\$'000</i> | Significant unobservable inputs (Level 3) <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Recurring fair value measurement for: | | | | |
| Industrial and ancillary properties | – | – | 120,518 | 120,518 |

The reconciliation of Level 3 fair value measurements of investment properties on recurring basis is as follows:

| | Industrial and ancillary properties <i>HK\$'000</i> |
|----------------------|---|
| At 1 January 2024 | 123,703 |
| Fair value changes | (548) |
| Exchange realignment | (2,637) |
| At 31 December 2024 | 120,518 |
| Fair value changes | (876) |
| Exchange realignment | 3,033 |
| At 31 December 2025 | 122,675 |

Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency.

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2025 and 2024.



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14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

| Carrying value of investment properties held by the Group | Valuation techniques | Significant unobservable inputs | Relationship of significant unobservable inputs to fair value |
|---|---|---|---|
| Industrial and ancillary properties in the PRC | Income approach (2024 : Income approach) | Market yield of 2.50% (2024: 2.50%) | An increase in the market yield would result in a decrease in fair value |
| | | Market unit rent of RMB0.53 (2024: RMB0.60) per sq.m. per day | An increase in the market unit rent would result in an increase in fair value |
| Residential properties in the PRC | Market comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available | N/A | N/A |

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of property used in its operations. Leases of property generally have lease terms between 1 and 30 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | Leased properties HK\$'000 |
|---|-------------------------------|
| As at 31 December 2023 and 1 January 2024 | 692 |
| Addition | 1,257 |
| Depreciation provided during the year | (829) |
| Exchange realignment | (18) |
| As at 31 December 2024 and 1 January 2025 | 1,102 |
| Depreciation provided during the year | (829) |
| Exchange realignment | 16 |
| As at 31 December 2025 | 289 |

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15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Carrying amount at 1 January | 66,386 | 73,094 |
| New lease | – | 1,257 |
| Accretion of interest recognised during the year | 2,845 | 3,147 |
| Payments | (10,065) | (9,767) |
| Exchange realignment | 1,457 | (1,345) |
| Carrying amount at 31 December | 60,623 | 66,386 |
| Analysed into: | | |
| Current portion | 7,094 | 9,893 |
| Non-current portion | 53,529 | 56,493 |
| | 60,623 | 66,386 |

The maturity analysis of lease liabilities is disclosed in note 43 to the consolidated financial statements.

During the year ended 31 December 2024, addition to right-of-use assets represents renewal of the lease of office premise in Hong Kong for a lease term of a fixed period of 2 years (2025: Nil).

The lease liabilities included sublease arrangement that the Group has entered into with a third party while the original lease contract is in effect, the Group is an intermediate lessor, this sublease is classified as a finance lease. The Group derecognised the right-of-use asset on the head lease and recognised finance lease receivables under trade receivables (note 22) at the sublease commencement date, continued to account for the original lease liability in accordance with the lessee accounting model.

The Group as a lessor

The Group leases its investment properties consisting of two industrial properties in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the contractual arrangement. Rental income recognised by the Group during the year was approximately HK\$5,367,000 (2024: approximately HK\$6,002,000), details of which are included in note 5 to the consolidated financial statements.



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15. LEASES (Continued)

The Group as a lessor (Continued)

At 31 December 2025 and 2024, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Within one year | 5,939 | 5,743 |
| After one year but within two years | 6,153 | 5,945 |
| After two years but within three years | 4,422 | 6,159 |
| After three years but within four years | 4,367 | 4,426 |
| After four years but within five years | 2,707 | 4,371 |
| After five years | 4,742 | 7,457 |
| | 28,330 | 34,101 |

16. INVESTMENT IN A JOINT VENTURE

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-------------------------------|------------------|------------------|
| Investment in a joint venture | – | 393 |

Particulars of the Group's joint venture as at 31 December 2025 and 2024 are as follows:

| Name | Particulars of issued shares held | Place of registration and business | Percentage of | | | Principal activities |
|--|--|---------------------------------------|-----------------------|-----------------------|-----------------------|---|
| | | | Ownership interest | Voting power | Profit sharing | |
| Zhejiang Wanhe Energy and Technology Co., Ltd.* ("浙江萬合能源環境科技有限公司") ("Zhejiang Wanhe") | Registered capital of RMB12,779,000 | PRC | – (2024: 33.22) | – (2024: 33.22) | – (2024: 33.22) | Exploration and development of energy resources |

* The English name of the company registered in the PRC represents the best efforts of management of the Company in directly translating the Chinese name of the company as no English name has been registered.

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16. INVESTMENT IN A JOINT VENTURE *(Continued)*

The following table illustrates the financial information of Zhejiang Wanhe:

| | 2025 <i>HK\$'000</i> | 2024 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current assets | N/A | 21,851 |
| Non-current assets | N/A | 9,836 |
| Current liabilities | N/A | (29,092) |
| Net assets | N/A | 2,595 |
| Reconciliation to the Group's interest in the joint venture: | | |
| Proportion of the Group's ownership | N/A | 33% |
| Group's share of net assets of the joint venture, excluding goodwill | N/A | 862 |
| Other | N/A | (469) |
| Carrying amount of the investment | N/A | 393 |
| Revenue | 51,221 | 86,856 |
| Profit (loss) for the year | 4,106 | (10,337) |
| Other comprehensive income (expense) | 33 | (238) |
| Total comprehensive income (expense) for the year | 4,139 | (10,575) |
| | 2025 <i>HK\$'000</i> | 2024 <i>HK\$'000</i> |
| Share of the joint venture's profit (loss) for the year | 1,369 | (3,434) |
| Share of the joint venture's other comprehensive income (expense) | 11 | (79) |
| Share of the joint venture's total comprehensive income (expense) | 1,380 | (3,513) |

On 17 June 2025, the Group entered into the equity transfer agreement with an independent third party for sales of 20% equity interest in Zhejiang Wanhe held by the Group at a consideration of approximately HK\$5,710,000.

Upon completion of the disposal, the Group maintained significant influence over the investee and accounted for as an associate since then.



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17. INVESTMENTS IN ASSOCIATES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-------------------------|------------------|------------------|
| Share of net assets | 21,933 | 25,172 |
| Goodwill on acquisition | 482 | 482 |
| | 22,415 | 25,654 |

Particulars of the Group's associates as at 31 December 2025 and 2024 are as follows:

| Name | Particulars of issued shares | Place of incorporation/ registration and business | Percentage of ownership interest attributable to the Group | | Principal activities |
|--|---|---|--|------|---|
| | | | 2025 | 2024 | |
| Beijing Ever Hot Pumps Co., Ltd.* ("BEHP", "北京永源熱泵有限責任公司") | Registered capital of RMB52,556,871 (2024: RMB52,556,871) | PRC | 49 | 49 | Production and sale of machines and shallow geothermal energy systems |
| Hongyuan Shallow Ground Heat Pump Technology Co., Ltd.* ("HSC", "宏源地能熱泵科技有限公司") (note) | Registered capital of RMB105,190,800 (2024: RMB50,000,000) | PRC | 7.13 | 15 | Trading of the shallow geothermal energy systems |
| Zhejiang Wanhe | Registered capital of RMB18,229,210 (2024: 12,779,000) | PRC | 13.22 | – | Exploration and development of energy resources |

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

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17. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

- (a) During the year ended 31 December 2023, the Group disposed its holding of 34% equity interest of HSG, with a consideration of RMB19,618,000 (equivalent to approximately HK\$21,379,000) to the shareholder of the associate and the Group's equity interest in HSG was decreased from 49% to 15% without changes in composition of the board of directors of the associate, thus no changes in significant influence over HSG, resulting in a gain on partial disposal of approximately HK\$938,000. Immediately upon completion of the disposal, HSG continued to be classified as an associate. The balances are settled in full during the year ended 31 December 2024. Details are disclosed in note 46(b).
- (b) As at 31 December 2025, the shareholder of HSG has made capital contribution to HSG, resulting in the Group's shareholding in HSG was diluted from 15% to 7.13% and loss on dilution of interests of the associate of approximately HK\$2,401,000 has been recognised in profit or loss. There is no changes in significant influence over HSG, and HSG continued to be classified as an associate upon completion of the capital injection.

BEHP and HSG, which are considered as material associates of the Group, are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of BEHP adjusted for any differences in accounting policies with the Group and reconciled to the carrying amount in the consolidated financial statements:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Current assets | 29,158 | 46,927 |
| Non-current assets | 1,923 | 2,524 |
| Current liabilities | (16,424) | (22,241) |
| Non-current liabilities | (27) | (26) |
| Net assets | 14,630 | 27,184 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | 49% | 49% |
| Group's share of net assets of the associate, excluding goodwill | 7,169 | 13,320 |
| Goodwill on acquisition (less cumulative impairment) | 482 | 482 |
| Carrying amount of the investment | 7,651 | 13,802 |
| Revenue | 11,073 | 14,017 |
| Loss for the year | (13,083) | (6,765) |
| Other comprehensive income (expense) | 529 | (451) |
| Total comprehensive expense for the year | (12,554) | (7,216) |



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17. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information in respect of HSG adjusted for any differences in accounting policies with the Group and reconciled to the carrying amount in the consolidated financial statements:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Current assets | 561,829 | 712,500 |
| Non-current assets | 207,342 | 128,620 |
| Current liabilities | (465,406) | (685,389) |
| Non-current liabilities | (109,948) | (75,537) |
| Net assets | 193,817 | 80,194 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | 7.13% | 15% |
| Group's share of net assets of the associate, excluding goodwill | 13,819 | 12,029 |
| Other | (177) | (177) |
| Carrying amount of the investment | 13,642 | 11,852 |
| Revenue | 1,751,596 | 1,728,702 |
| Profit for the year | 4,579 | 8,425 |
| Other comprehensive income (expense) | 1,040 | (1,837) |
| Total comprehensive income for the year | 5,619 | 6,588 |

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Equity investments designated at fair value through other comprehensive income | | |
| Beijing Hisign Technology Co., Ltd. | 279 | 473 |
| China Asset Management – Ever Source overseas oriented asset management plan | 54,443 | 54,188 |
| | 54,722 | 54,661 |
| Less: Non-current portion | (54,722) | (54,661) |
| Current portion | – | – |

The above equity investments were irrevocably designated at fair value through other comprehensive income as the directors of the Company considers these investments to be strategic in nature. During the year ended 31 December 2025, the Group received dividends in the amount of HK\$3,235,000 (2024: HK\$2,512,000) and recognised in "other income and gain" in profit or loss.

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19. INVENTORIES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|----------------|------------------|------------------|
| Raw materials | 13,814 | 13,309 |
| Finished goods | 776 | 758 |
| | 14,590 | 14,067 |

20. PROPERTIES HELD FOR SALE

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-------------------------|------------------|------------------|
| At 1 January | 291,984 | 299,026 |
| Exchange realignment | 7,369 | (6,384) |
| Less: Impairment losses | (131) | (658) |
| At 31 December | 299,222 | 291,984 |

The above properties held for sale are situated in the PRC.

The management of the Group assessed the net realisable values of the properties held for sale as at 31 December 2025 and 2024, with reference to the valuations conducted by the Valuer (2024: same). The net realisable values of the properties were arrived at with reference to transaction price of comparable properties in the similar or same locations with adjustments made according to nature of each property and its specific location and condition or residual method which was based on the development potential of the properties as if they were completed in accordance with the existing development proposal at the date of valuation.

The properties were valued individually, the management of the Group, after considering the results of valuations conducted by the Valuer, has determined that the net realisable values of one of these properties are less than its carrying amounts and an impairment loss of approximately HK\$131,000 (2024: approximately HK\$658,000) has been recognised in the profit or loss.



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21. CONTRACT ASSETS AND CONTRACT LIABILITIES

| | 2025 <i>HK\$'000</i> | 2024 <i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Contract assets arising from: | | |
| Construction services | 412,743 | 412,215 |
| Less: Impairment loss allowances | (400,241) | (383,366) |
| | 12,502 | 28,849 |
| Contract liabilities arising from: | | |
| Construction services | 16,728 | 36,307 |

Gross carrying amounts of contract assets as at 1 January 2024 was approximately HK\$446,227,000, while contract liabilities as at 1 January 2024 was approximately to HK\$38,453,000.

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. During the year ended 31 December 2025, a provision for impairment losses of approximately HK\$2,185,000 (2024: reversal of impairment losses of approximately HK\$21,183,000) was recognised in to profit or loss. The Group's trading terms and credit policy with customers are disclosed in note 22 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

| | 2025 <i>HK\$'000</i> | 2024 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within one year | 12,502 | 28,849 |

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21. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

The movements in the loss allowances for impairment of contract assets are as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| At beginning of year | 383,366 | 410,462 |
| Provision for (reversal of) impairment losses, net | 2,185 | (21,183) |
| Exchange realignment | 14,690 | (5,913) |
| At end of year | 400,241 | 383,366 |

The management has actively taken legal actions against projects which have been long outstanding for several years and identified that certain debtors were in financial difficulty, or in liquidation or in cessation of business, and therefore, the management has considered those debtors were assessed as significant increase in credit risk and individual assessment are performed. As a result, contract assets in relation to those debtors amounting to approximately HK\$45,347,000 (2024: approximately HK\$29,046,000) have been assessed as credit-impaired and full impairment losses up to estimated recoverable amounts based on the court ruling of approximately HK\$42,136,000 (2024: approximately HK\$10,658,000) has been provided as at 31 December 2025.

The management has reviewed construction services relating to provision of construction service for the infrastructure during the period of construction under the service concession arrangement in previous year, and considered that the debtors are in financial difficulty, and therefore, the management has assessed the balances of such debtors of approximately HK\$30,984,000 (2024: approximately HK\$30,446,000) individually and considered they are credit-impaired and full expected credit loss allowance has provided as at 31 December 2025.

For remaining balances, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on days past due for grouping of various customer segments with similar loss pattern. The calculation reflects the probability-weighted outcome, the time value of money, historical repayment of debtors and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:



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21. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

As at 31 December 2025

| | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years | Total |
|--------------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Expected credit loss rate | 4.14% | 28.28% | 43.57% | 60.06% | 82.25% | 100.00% | 97.24% |
| Gross carrying amount (HK\$'000) | 3,933 | 3,189 | 3,468 | 1,888 | 2,946 | 320,988 | 336,412 |
| Expected credit losses (HK\$'000) | 163 | 902 | 1,511 | 1,134 | 2,423 | 320,988 | 327,121 |

As at 31 December 2024

| | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years | Total |
|--------------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Expected credit loss rate | 5.43% | 31.18% | 48.40% | 76.95% | 87.80% | 100.00% | 97.03% |
| Gross carrying amount (HK\$'000) | 3,683 | 5,828 | 1,940 | 4,018 | 8,525 | 328,729 | 352,723 |
| Expected credit losses (HK\$'000) | 200 | 1,817 | 939 | 3,092 | 7,485 | 328,729 | 342,262 |

Contract liabilities include short-term advances received to deliver construction services.

22. TRADE RECEIVABLES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Trade receivables | 152,693 | 157,544 |
| Less: Impairment loss allowances | (143,389) | (152,733) |
| Trade receivables, net | 9,304 | 4,811 |
| Finance lease receivables | 57,325 | 62,402 |
| Less: Non-current portion (net of impairment loss allowances) | (49,660) | (55,332) |
| Current portion | 16,969 | 11,881 |

In previous year, the Group entered into an arrangement to sublease a leased asset to a third party while the original lease contract is in effect (note 15(b)), the Group is an intermediate lessor, this sublease is classified as a finance lease. The Group derecognised the right-of-use asset on the head lease and recognised net investment included as finance lease receivables in trade receivables at the commencement date of the sublease arrangement and continued to account for the original lease liability in accordance with the lessee accounting model. At 31 December 2025, the net carrying amount of finance lease receivables was approximately RMB51,776,000 (equivalent to approximately HK\$57,325,000 (net of loss allowance of approximately HK\$691,000)) (2024: approximately RMB57,785,000 (equivalent to HK\$62,402,000 (net of loss allowance of approximately HK\$1,917,000))). The finance lease receivables consist of the current portion and non-current portion amounted to approximately RMB6,923,000 (equivalent to approximately HK\$7,665,000) (2024: approximately RMB6,547,000) (equivalent to approximately HK\$7,070,000) and approximately RMB44,853,000 (equivalent to approximately HK\$49,660,000) (2024: approximately RMB51,328,000) (equivalent to approximately HK\$55,332,000), respectively.

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22. TRADE RECEIVABLES (Continued)

The Group's transactions with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment loss allowances, is as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-----------------|------------------|------------------|
| Within 90 days | 2,254 | 3,997 |
| 91 to 180 days | 896 | 116 |
| 181 to 365 days | 1,360 | 282 |
| Over 365 days | 4,794 | 416 |
| | 9,304 | 4,811 |

The movements in the loss allowances for impairment of trade receivables are as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| At beginning of year | 152,733 | 166,062 |
| Release upon deregistration of subsidiaries (note 35) | (206) | (165) |
| Amounts written off as uncollectible | (551) | – |
| Reversal of impairment losses | (14,979) | (9,732) |
| Exchange realignment | 6,392 | (3,432) |
| At end of year | 143,389 | 152,733 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. During the year ended 31 December 2025, in regard of finalisation of the legal cases, amounting of trade receivables approximately HK\$551,000 (2024: nil) have been written off.

Certain debtors were either in financial difficulty, under liquidation or under litigation with the Company. Therefore, the management considered that those trade receivables were credit-impaired at the end of the reporting period and the amounts were full impairment and has been recognised as loss allowances for expected credit losses of approximately HK\$37,951,000 (2024: approximately HK\$55,390,000) as at 31 December 2025.

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22. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on the grouping of various customer segments:

As at 31 December 2025

Group one: construction services

| | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years | Total |
|--------------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Expected credit loss rate | 4.89% | 19.34% | 37.95% | 62.04% | 100% | 100% | 64.88% |
| Gross carrying amount (HK\$'000) | 54,017 | 1,898 | 4,329 | 382 | 2,588 | 95,498 | 158,712 |
| Expected credit losses (HK\$'000) | 2,644 | 367 | 1,643 | 237 | 2,588 | 95,498 | 102,977 |

Group two: others

| | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years | Total |
|--------------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------|
| Expected credit loss rate | 1.79% | 21.00% | 36.17% | – | 100% | 100% | 18.43% |
| Gross carrying amount (HK\$'000) | 10,530 | 662 | 47 | – | 282 | 1,834 | 13,355 |
| Expected credit losses (HK\$'000) | 189 | 139 | 17 | – | 282 | 1,834 | 2,461 |

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22. TRADE RECEIVABLES (Continued)

As at 31 December 2024

Group one: construction services

| | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years | Total |
|--------------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Expected credit loss rate | 4.99% | 24.91% | 46.75% | 68.49% | 100% | 100% | 65.01% |
| Gross carrying amount (HK\$'000) | 49,970 | 3,300 | 338 | 2,967 | 873 | 88,514 | 145,962 |
| Expected credit losses (HK\$'000) | 2,496 | 822 | 158 | 2,032 | 873 | 88,514 | 94,895 |

Group two: others

| | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years | Total |
|--------------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------|
| Expected credit loss rate | 1.87% | 20.98% | 37.57% | 72.07% | 100% | 100% | 13.17% |
| Gross carrying amount (HK\$'000) | 16,011 | 305 | 181 | 290 | 29 | 1,778 | 18,594 |
| Expected credit losses (HK\$'000) | 300 | 64 | 68 | 209 | 29 | 1,778 | 2,448 |

23. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Prepayments | 16,397 | 13,153 |
| Deposits | 673 | 9,649 |
| Other receivables | 117,480 | 124,493 |
| Deposit paid for acquisition of investment properties | – | 1,425 |
| Less: Impairment loss allowances | (100,468) | (93,737) |
| | 34,082 | 54,983 |
| Less: Non-current portion | – | (1,425) |
| Current portion | 34,082 | 53,558 |



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23. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS *(Continued)*

The movements in the loss allowances for impairment of deposits and other receivables are as follows:

| | 2025 <i>HK\$'000</i> | 2024 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| At beginning of year | 93,737 | 89,175 |
| Exchange realignment | 2,413 | (2,558) |
| Impairment loss, net | 4,318 | 7,120 |
| At end of year | 100,468 | 93,737 |

Deposits and other receivables mainly represent rental deposits, refundable deposits with suppliers, value-added tax receivables and staff's advance. An impairment analysis is performed at the end of each reporting period, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group.

24. AMOUNTS DUE TO RELATED COMPANIES

As at 31 December 2025, the Group's amounts due to related companies included a guarantee fee payable of RMB25,618,000 (equivalent to approximately HK\$28,364,000) (2024: RMB25,618,000 (equivalent to approximately HK\$27,666,000)) provided by China Energy Conservation and Environmental Protection Group's ("CECEP") subsidiaries. The remaining balance of approximately HK\$11,000 (2024: approximately HK\$11,000) is unsecured, non-interest bearing and repayable on demand.

25. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest-free and repayable on demand.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2025 <i>HK\$'000</i> | 2024 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Listed equity investments, at fair value | 38 | 4,895 |

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading purpose.

Notes to Consolidated Financial Statements

31 December 2025

27. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TIME DEPOSITS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Cash and bank balances | 37,073 | 52,127 |
| Cash held at non-bank financial institutions | 1,174 | 459 |
| Restricted cash | 8,519 | – |
| Time deposits | 7,760 | – |
| | 54,526 | 52,586 |
| Less: Time deposits with original maturity over three months | (7,760) | – |
| Restricted cash | (8,519) | – |
| Cash and cash equivalents | 38,247 | 52,586 |

The Group's restricted cash amounted to approximately HK\$8,519,000 (2024: nil) which represented cash had to meet regulatory requirements for certain PRC subsidiaries and are expected to be released within one year. Time deposit was denominated in USD, carried at fixed interest rate of 2.75% per annum, and with maturity of 1 year upon to 31 December 2026.

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$38,247,000 (2024: approximately HK\$52,586,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-----------------|------------------|------------------|
| Within 90 days | 754 | 22,968 |
| 91 to 180 days | 125 | 13,867 |
| 181 to 365 days | 2,086 | 17,048 |
| Over 365 days | 113,278 | 85,486 |
| | 116,243 | 139,369 |

The trade payables are non-interest-bearing and are normally settled on terms of six months.

Notes to Consolidated Financial Statements

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29. OTHER PAYABLES AND ACCRUALS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|----------------------------|------------------|------------------|
| Accruals | 4,242 | 6,820 |
| Other borrowing (note (i)) | 3,659 | 3,211 |
| Other payables (note (ii)) | 102,871 | 92,010 |
| | 110,772 | 102,041 |

Notes:

- (i) Other borrowing represented borrowing of approximately HK\$3,659,000 (2024: approximately HK\$3,211,000) granted from an independent third party, which is unsecured, carried interest at fixed interest rate of 3.24% (2024: 7.56%) per annum, and repayable on 31 December 2026 or on demand (2024: repayable on 31 December 2025 or on demand).
- (ii) Other payables are non-interest bearing and have no fixed terms of settlement.

30. DEFERRED INCOME

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| At 1 January | 6,479 | 8,828 |
| Released upon deregistration of subsidiaries (note 35) | – | (2,193) |
| Exchange realignment | 164 | (156) |
| At 31 December | 6,643 | 6,479 |

Government grants were designated for certain projects. The amount is stated as a non-current liability as at 31 December 2025 and 2024 in the consolidated statement of financial position as the directors of the Company are of the opinion that certain conditions in respect of these grants will not be fulfilled within the next twelve months from the end of the reporting period.

Notes to Consolidated Financial Statements

31 December 2025

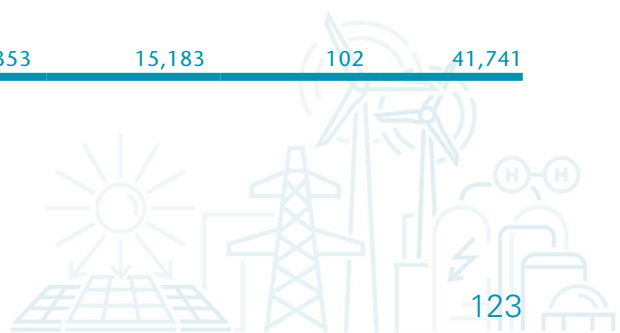
31. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

| | 2025 | | | | |
|--|---|--------------------------------------|---|-------------------------------|-------------------|
| | Fair value changes of investment properties HK\$'000 | Properties held for sale HK\$'000 | Fair value changes of financial assets at fair value through other comprehensive income HK\$'000 | Lease arrangement HK\$'000 | Total HK\$'000 |
| At 1 January 2025 | 103 | 26,353 | 15,183 | 102 | 41,741 |
| Deferred tax credited to the profit or loss (<i>note 10</i>) | (286) | (33) | – | – | (319) |
| Deferred tax charged to capital reserve | – | – | (352) | – | (352) |
| Exchange realignment | – | 751 | 451 | 3 | 1,205 |
| At 31 December 2025 | (183) | 27,071 | 15,282 | 105 | 42,275 |

| | 2024 | | | | |
|--|---|--------------------------------------|---|-------------------------------|-------------------|
| | Fair value changes of investment properties HK\$'000 | Properties held for sale HK\$'000 | Fair value changes of financial assets at fair value through other comprehensive income HK\$'000 | Lease arrangement HK\$'000 | Total HK\$'000 |
| At 1 January 2024 | 243 | 27,106 | 15,594 | 104 | 43,047 |
| Deferred tax credited to the profit or loss (<i>note 10</i>) | (137) | (164) | – | – | (301) |
| Deferred tax charged to capital reserve | – | – | 23 | – | 23 |
| Exchange realignment | (3) | (589) | (434) | (2) | (1,028) |
| At 31 December 2024 | 103 | 26,353 | 15,183 | 102 | 41,741 |



Notes to Consolidated Financial Statements

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31. DEFERRED TAX *(Continued)*

Deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|----------------------------------|------------------|------------------|
| Tax losses | 66,228 | 52,889 |
| Deductible temporary differences | 643,787 | 636,186 |
| | 710,015 | 689,075 |

The above tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

At 31 December 2025 and 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and associates established in the PRC. In the opinion of the directors of the Company, it is not probable that these subsidiaries and associates and will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and interests in associates in the PRC for which deferred tax liabilities have not been recognised are approximately of HK\$142,919,000 at 31 December 2025 (2024: approximately HK\$112,323,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

| | Authorised number of shares '000 | Number of ordinary shares in issued (excluding treasury shares) '000 | Number of treasury shares held '000 | Total number ordinary shares in issued '000 | Share capital HK\$'000 |
|---|---|---|--|--|---------------------------|
| – ordinary share of USD0.01 each | | | | | |
| At 1 January 2024 | 16,000,000 | 4,526,925 | – | 4,526,925 | 353,043 |
| Repurchase of shares | – | (21,352) | 21,352 | – | – |
| At 31 December 2024 and 1 January 2025 | 16,000,000 | 4,505,573 | 21,352 | 4,526,925 | 353,043 |
| Disposal of treasury shares | – | 22,416 | (22,416) | – | – |
| Repurchase of shares | – | (34,448) | 34,448 | – | – |
| At 31 December 2025 | 16,000,000 | 4,493,541 | 33,384 | 4,526,925 | 353,043 |

Notes to Consolidated Financial Statements

31 December 2025

32. SHARE CAPITAL *(Continued)*

During the year ended 31 December 2025, the Company repurchased 34,448,000 (2024: 21,352,000) ordinary shares on the Stock Exchange for total considerations of approximately HK\$1,384,000 (2024: HK\$959,000) and the cost of these shares held by the Group was recorded in treasury shares.

On 17 April 2025, the Company has disposed 22,416,000 treasury shares to an independent third party at a total consideration of approximately HK\$1,345,000.

33. SHARE-BASED PAYMENT ARRANGEMENTS

SHARE SCHEMES

2020 Share Award Scheme

The 2020 Share Award Scheme was approved and adopted by the Board on 15 January 2020 (the “2020 Adoption Date”), which is funded solely by existing shares to be purchased by the trustee. Bank of Communications Trustee Limited (the “2020 Trustee”) was designated to be the trustee under the Deed of trust executed on 1 April 2020.

The purpose of the 2020 Share Award Scheme is to attract, retain, and incentivize key employees, executive officers, directors and consultants of the Company and its subsidiaries to retain them for the continual operations and development of the Group.

The total number of shares available for grant under the 2020 Share Award Scheme was 98,000,000 shares (“2020 Awarded Shares”), representing approximately 2.18% (2024: 2.18%) of the issued shares (excluding treasury shares) of the Company as at the date of this report.

Subject to the effectiveness of the 2020 Share Award Scheme and all applicable laws, the Board may, as its sole direction, select participants (“2020 Selected Participants”) from time to time and determine the number of 2020 Awarded Shares to be awarded to such 2020 Selected Participants, as well as specify the criteria, conditions and periods for the vesting of the 2020 Awarded Shares.

The maximum number of 2020 Awarded Shares which may be awarded to a 2020 Selected Participant shall not exceed 1 per cent (1%) of the total number of issued shares (excluding treasury shares) of the Company as at the 2020 Adoption Date.

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2020 Share Award Scheme, the 2020 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on its 2020 Adoption Date. As at the date of this report, the remaining life of the 2020 Share Award Scheme shall be approximately three years and nine months (2024: four years and nine months).

During the year ended 31 December 2024, the Company had not grant any 2020 Awarded Shares under the 2020 Share Award Scheme.

As at 31 December 2024, no unvested 2020 Awarded Shares were held by the 2020 Trustee.



Notes to Consolidated Financial Statements

31 December 2025

33. SHARE-BASED PAYMENT ARRANGEMENTS *(Continued)*

SHARE SCHEMES *(Continued)*

2020 Share Award Scheme *(Continued)*

The following table discloses movements of the 2020 Share Award Scheme during the year:

| | Outstanding at 1/1/2025 '000 | Grant during the year '000 | Cancelled during the year '000 | Outstanding at 31/12/2025 '000 | Vesting date |
|---------------------------------------|------------------------------------|----------------------------------|---|--------------------------------------|--------------|
| Directors | – | 11,800 | (5,040) | 6,760 | 1 April 2026 |
| Directors | – | 15,920 | (6,720) | 9,200 | 1 April 2027 |
| Employees | – | 29,700 | (1,260) | 28,440 | 1 April 2026 |
| Employees | – | 39,600 | (1,680) | 37,920 | 1 April 2027 |
| | – | 97,020 | (14,700) | 82,320 | |
| Exercisable at the end of the year | | | | – | |
| Weighted average exercise price | N/A | N/A | N/A | N/A | |

During the year ended 31 December 2025, the Company granted 97,020,000 shares under the 2020 Share Award Scheme. The closing price of the shares on the date of grant is HK\$0.038.

2024 Share Option Scheme and 2024 Share Award Scheme

The 2024 Share Option Scheme and the 2024 Share Award Scheme were approved by the shareholders at the extraordinary general meeting held on 7 June 2024 and subsequently amended by the Board on 28 August 2024. The amendments include: (a) allowing the use of treasury shares to satisfy share grants; and (b) excluding treasury shares in the calculation of issued shares. The 2024 Share Option Scheme and the 2024 Share Award Scheme received conditional listing approval from the Listing Committee of the Stock Exchange on 6 September 2024 (the "2024 Adoption Date") and has since been formally adopted.

In addition to granting the share awards under the 2024 Share Award Scheme ("2024 Awarded Shares") by new shares or treasury shares, the 2024 Share Award Scheme may also be funded by existing shares to be purchased by the trustee.

The objectives of the 2024 Share Option Scheme and the 2024 Share Award Scheme are to: (i) recognise the contributions by certain selected participants ("2024 Selected Participants") with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the 2024 Selected Participants to maximise the value of the Company for the benefits of both the 2024 Selected Participants and the Company : with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the 2024 Selected Participants directly to the shareholders through ownership of shares.

Notes to Consolidated Financial Statements

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33. SHARE-BASED PAYMENT ARRANGEMENTS *(Continued)*

SHARE SCHEMES *(Continued)*

2024 Share Option Scheme and 2024 Share Award Scheme *(Continued)*

The participants of the 2024 Share Option Scheme and the 2024 Share Award Scheme comprise: (i) any employee participant; (ii) any director or employee of a related entity; and (iii) any service provider.

The total number of shares available for issue (and, together with treasury shares which may be transferred, as applicable) under the 2024 Share Option Scheme, together with the 2024 Share Award Scheme, was 452,692,516 Shares ("2024 Granted Shares"), representing no more than 10% of the issued shares (excluding treasury shares) as at the 2024 Adoption date. As at 31 December 2025, the total number of 2024 Granted Shares available under this limit remains 452,692,516 shares, representing approximately 10.07% (2024: 10.05%) of the issued shares (excluding treasury shares) as at 31 December 2025.

The total number of shares available for issue (and, together with treasury shares which may be transferred, as applicable) to service provider under the 2024 Share Option Scheme, together with the 2024 Share Award Scheme, was 45,269,251 of 2024 Granted Shares, representing no more than 1% of the issued shares (excluding treasury shares) as at the 2024 Adoption date, unless the Company has obtained separate approval by shareholders in general meeting. As at 31 December 2025, the total number of 2024 Granted Shares available under this sub-limit remains 45,269,251 shares, representing approximately 1.00% (2024: 1.00%) of the issued shares (excluding treasury shares) as at 31 December 2025.

For any 12-month period up to and including the date of grant of share options under 2024 Share Option Scheme ("2024 Share Options") and awarded shares under the 2024 Share Award Scheme ("2024 Awarded Shares"), the aggregate number of 2024 Granted Shares issued and to be issued (and, together with treasury shares which may be transferred, as applicable) in respect of all 2024 Share Options and the 2024 Awarded Shares granted to any eligible person under the 2024 Share Option Scheme and the 2024 Share Award Scheme shall not exceed 1% of the issued shares (excluding treasury shares) from time to time, unless such grant is separately approved by the shareholders in general meeting.

The period within which 2024 Share Options may be exercised by the grantee under the 2024 Share Option Scheme shall be as determined by the Board. This period shall commence on the date on which the offer relating to such 2024 Share Options is duly approved by the Board in accordance with the 2024 Share Option Scheme and expire in any event not later than the last day of the 10-year period after the date of grant of 2024 share options (subject to early termination as set out in the 2024 Share Option Scheme).

The vesting period of 2024 Share Options and 2024 Awarded Shares in the form of new shares shall be at least 12 months. However, for the 2024 Share Options and 2024 Awarded Shares granted to employee participants, a shorter vesting period may be applied if determined by (i) the remuneration committee of the Company if such employee participant is a director or a senior manager of the Company, or (ii) the Board if such employee participant is not a director or a senior manager of the Company.

The subscription price for shares under the 2024 Share Option Scheme will be a price determined by the Board and notified to an eligible person. The subscription price will be the highest of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the grant date ("Grant Date"), which must be a business day; and (iii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Grant Date.



Notes to Consolidated Financial Statements

31 December 2025

33. SHARE-BASED PAYMENT ARRANGEMENTS *(Continued)*

SHARE SCHEMES *(Continued)*

2024 Share Option Scheme and 2024 Share Award Scheme *(Continued)*

As the exercise price of 2024 Share Options granted must be not less than the price stipulated in the GEM Listing Rules, it is expected that grantees will endeavour to contribute to the development of the Group so as to bring about an increased market price of the shares in order to capitalise on the benefits of the 2024 Share Options, which in turn is expected to benefit the Company and the shareholders as a whole.

Unless the Board at their absolute discretion otherwise determine on a case-by-case basis, the 2024 Awarded Shares shall be granted to a 2024 Selected Participants at no consideration as to align with the purpose to reward the eligible participants who have contributed or will contribute to the Group. The purchase price of the 2024 Awarded Shares (if any) shall be such price as determined by the Board, the committee of the Board, or person(s) to which the Board has delegated its authority from time to time based on considerations such as the prevailing closing price of the shares, the purpose of the 2024 Share Award Scheme and the characteristics and profile of the 2024 Selected Participants.

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2024 Share Option Scheme and the 2024 Share Award Scheme, the 2024 Share Option Scheme and the 2024 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 2024 Adoption Date. As at the date of this report, the remaining life of the 2024 Share Option Scheme and the 2024 Share Award Scheme shall be approximately eight years and five months (2024: nine years and five months).

During the years ended 31 December 2024 and 2025, the Company had not granted any share options under the 2024 Share Option Scheme. As at 31 December 2024 and 2025, there were no unexercised, cancelled, or lapsed share options under the 2024 Share Option Scheme.

During the year ended 31 December 2024, the Company had not granted any awarded shares under the 2024 Share Award Scheme. As at 31 December 2024, there were no unvested, cancelled, or lapsed awarded shares under the 2024 Share Award Scheme.

During the year ended 31 December 2025, 9,207,000 shares have been granted to the employees and directors of the Group.

The vesting of the share awards is subject to the fulfilment of specified conditions. As these conditions have not yet been fulfilled or are not expected to be fulfilled as at the end of the reporting period, no share-based payment expense or share-based payment reserves has been recognised.

The fair value of the share awards at the grant date was determined based on the quoted market price of the Company's shares on the grant date of HK\$0.40 per share.

Notes to Consolidated Financial Statements

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34. OTHER RESERVES

The amounts of the Group's other reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Statutory reserve

In accordance with the relevant regulations in the PRC and joint venture agreements, each of the Sino-foreign joint ventures established in the PRC shall set aside a portion of its profit after tax, if any, to the statutory reserve. Such amount will be determined at the discretion of the board of directors of each entity.

(b) Contributed surplus

Contributed surplus represents the cancellation of the paid-up capital and the set-off against the accumulated losses in prior years.

(c) Special reserve

Special reserve represents the reserve arising from the acquisition of non-controlling interests.

(d) Capital reserve

Capital reserve represents the deemed contribution from a substantial shareholder arising from the waiver of the convertible notes and the fair value changes in equity investments designated at fair value through other comprehensive income.

35. DEREGISTRATION OF SUBSIDIARIES

- (a) During the year ended 31 December 2025, certain subsidiaries have been deregistered. These subsidiaries were immaterial individually and in aggregate, contributing nil revenue and less than 1% of profit before tax of the Group.

Net assets of those subsidiaries upon deregistration were as below:

| | Total HK\$'000 |
|--|-------------------|
| Prepayments, other receivables and deposits | 1,788 |
| Cash and cash equivalents | 6,355 |
| Trade payables | (3) |
| Net assets as at deregistration date | 8,140 |
| Release of exchange fluctuation reserves | (198) |
| Less: Non-controlling interests | (4,157) |
| Net assets as at deregistration date attributable to the owners of the Company | 3,785 |
| Cash and bank balances received upon deregistration date | 3,420 |
| Loss on deregistration of subsidiaries | 365 |



Notes to Consolidated Financial Statements

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35. DEREGISTRATION OF SUBSIDIARIES (Continued)

- (b) During the year ended 31 December 2024, the Group deregistered indirect wholly-owned subsidiaries, including 100% equity interest of 大連嘉樂比溫泉度假酒店有限公司 (“大連嘉樂比”) and a 51% equity interest of 宏源地能熱寶技術有限公司 (“地能熱寶”).

Net liabilities of subsidiaries upon deregistration:

| | 大連嘉樂比 HK\$'000 | 地能熱寶 HK\$'000 | Total HK\$'000 |
|--|-------------------|------------------|-------------------|
| Inventories | 414 | – | 414 |
| Prepayments, other receivables and deposits | 46 | 12 | 58 |
| Trade payables | (36) | – | (36) |
| Other payables | (42) | (4,369) | (4,411) |
| Deferred income | – | (2,193) | (2,193) |
| Net assets (liabilities) at deregistration | 382 | (6,550) | (6,168) |
| Release of exchange fluctuation reserve | (135) | 1,545 | 1,410 |
| Loss (gain) on deregistration of subsidiaries, net | 247 | (5,005) | (4,758) |

There was no net inflow/outflow of cash and cash equivalents in respect of the deregistration of subsidiaries during the year ended 31 December 2024.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

| 2025 | Lease liabilities HK\$'000 |
|--|-------------------------------|
| At 1 January 2025 | 66,386 |
| Changes from financing cash flows | (10,065) |
| Accretion of interest recognised during the year | 2,845 |
| Exchange realignment | 1,457 |
| At 31 December 2025 | 60,623 |
| 2024 | Lease liabilities HK\$'000 |
| At 1 January 2024 | 73,094 |
| Addition | 1,257 |
| Changes from financing cash flows | (9,767) |
| Accretion of interest recognised during the year | 3,147 |
| Exchange realignment | (1,345) |
| At 31 December 2024 | 66,386 |

Notes to Consolidated Financial Statements

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37. CONTINGENT LIABILITIES

In the ordinary course of business, the Group may from time to time be involved in legal proceedings and litigations. The Group records a liability when the Group believes that it is both probable that a loss has been incurred by the Group and the amount can be reasonably estimated. With respect to the Group's outstanding legal matters, notwithstanding that the outcome of such legal matters is inherently unpredictable and subject to uncertainties, the Group believes that, based on its current knowledge, the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on the Group's business, financial position, results of operations, or cash flows.

38. PLEDGE OF ASSETS

As at 31 December 2025 and 2024, the Group had no charge on assets.

39. COMMITMENTS

At 31 December 2025 and 2024, the Group did not have any capital commitments contracted but not provided for at the end of the reporting period.

40. RELATED PARTY TRANSACTIONS

(a) Amounts due from/to related companies, associates and a joint venture are included in the consolidated statement of financial position. Further details are given in notes 24 and 25 to the consolidated financial statements.

(b) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-----------------------|------------------|------------------|
| Associates: | | |
| Purchases of products | 2,653 | 1,465 |

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

(c) Other transactions with related parties:

During the year ended 31 December 2024, the lease of office premise in Hong Kong has further extended for 2 years to 2026 between the subsidiary of the Company and Beijing Elite Investment Limited, a company held as to 70% equity interests by Ms. Chan Wai Kay, Katherine, a former deputy chairman and executive director of the Company, who retired on 7 June 2024, and addition of right-of-use assets and corresponding lease liabilities are recognised as approximately HK\$1,257,000 at the commencement date. As at 31 December 2024, the right-of-use assets and lease liabilities related to this lease arrangement were approximately HK\$786,000 and approximately HK\$801,000, respectively.

(d) Compensation of key management personnel of the Group:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Short term employee benefits | 3,178 | 4,457 |
| Post-employment benefits | 55 | 43 |
| Total compensation paid to key management personnel | 3,233 | 4,500 |

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

Notes to Consolidated Financial Statements

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41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2025

Financial assets

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost HK\$'000 | Total HK\$'000 |
|---|--|---|--|-------------------|
| | Mandatorily designated as such HK\$'000 | Equity investments HK\$'000 | | |
| Equity investments designated at fair value through other comprehensive income | – | 54,722 | – | 54,722 |
| Financial assets included in prepayments, other receivables and deposits | – | – | 17,685 | 17,685 |
| Trade receivables | – | – | 66,629 | 66,629 |
| Financial assets at fair value through profit or loss | 38 | – | – | 38 |
| Restricted cash | – | – | 8,519 | 8,519 |
| Time deposits | – | – | 7,760 | 7,760 |
| Cash and cash equivalents | – | – | 38,247 | 38,247 |
| | 38 | 54,722 | 138,840 | 193,600 |

2025

Financial liabilities

| | Financial liabilities at amortised cost HK\$'000 |
|---|---|
| Trade payables | 116,243 |
| Financial liabilities included in other payables and accruals | 110,772 |
| Amounts due to associates | 16,024 |
| Amounts due to related companies | 28,375 |
| Lease liabilities | 60,623 |
| | 332,037 |

Notes to Consolidated Financial Statements

31 December 2025

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2024

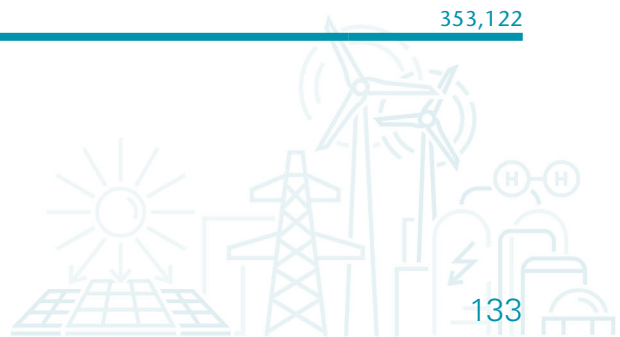
Financial assets

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost | Total |
|---|--|---|--|----------|
| | Mandatorily designated as such HK\$'000 | Equity investments HK\$'000 | HK\$'000 | HK\$'000 |
| Equity investments designated at fair value through other comprehensive income | – | 54,661 | – | 54,661 |
| Financial assets included in prepayments, other receivables and deposits | – | – | 40,405 | 40,405 |
| Trade receivables | – | – | 67,213 | 67,213 |
| Financial assets at fair value through profit or loss | 4,895 | – | – | 4,895 |
| Cash and cash equivalents | – | – | 52,586 | 52,586 |
| | 4,895 | 54,661 | 160,204 | 219,760 |

2024

Financial liabilities

| | Financial liabilities at amortised cost HK\$'000 |
|---|---|
| Trade payables | 139,369 |
| Financial liabilities included in other payables and accruals | 102,041 |
| Amounts due to associates | 17,649 |
| Amounts due to related companies | 27,677 |
| Lease liabilities | 66,386 |
| | 353,122 |



Notes to Consolidated Financial Statements

31 December 2025

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of trade receivables, trade payables, financial assets included in prepayments, other receivables and deposits, financial liabilities included in other payables and accruals, and amounts due from/to related companies, associates and a joint venture approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Assets measured at fair value:

As at 31 December 2025

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

| Financial instruments | Fair value hierarchy | Fair value as at | | Valuation technique | Significant unobservable inputs | Relationship of key inputs and significant unobservable inputs to fair value |
|---------------------------|----------------------|------------------------------|------------------------------|--|---------------------------------|--|
| | | 31 December 2025 HK\$'000 | 31 December 2024 HK\$'000 | | | |
| Listed equity investment | Level 1 | 317 | 5,368 | Quoted bid prices in an active market | N/A | N/A |
| Unlisted fund investments | Level 2 | 54,443 | 54,188 | Quoted bid prices from fund investment | N/A | N/A |

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2025 (2024: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2024: Nil).

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise equity investments designated at fair value through other comprehensive income, equity investments at fair value through profit or loss, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's PRC subsidiaries transact in RMB, and the Company and other subsidiaries mainly transact in HK\$. Management considers the Group's exposure to foreign currency risk is not significant.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2025

| | 12-month ECLs | | Lifetime ECLs | | Simplified approach | Total |
|---|---------------|----------|---------------|----------|---------------------|----------|
| | Stage 1 | Stage 2 | Stage 3 | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Contract assets* | – | – | 76,331 | – | 336,412 | 412,743 |
| Trade receivables (including finance lease receivables) | – | – | 37,951 | – | 172,758 | 210,709 |
| Restricted cash | 8,519 | – | – | – | – | 8,519 |
| Time deposits | 7,760 | – | – | – | – | 7,760 |
| Bank balances | 38,247 | – | – | – | – | 38,247 |
| Financial assets included in other receivables and deposits** | | | | | | |
| – Normal** | 673 | – | – | – | – | 673 |
| – Doubtful** | – | 117,480 | – | – | – | 117,480 |
| | 55,199 | 117,480 | 114,282 | – | 509,170 | 796,131 |



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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2024

| | 12-month ECLs | | Lifetime ECLs | | Simplified approach HK\$'000 | Total HK\$'000 |
|---|---------------|----------|---------------|---------|---------------------------------|-------------------|
| | Stage 1 | Stage 2 | Stage 3 | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| Contract assets* | – | – | 59,492 | 352,723 | – | 412,215 |
| Trade receivables (including finance lease receivables)* | – | – | 57,306 | 164,557 | – | 221,863 |
| Bank balances | 52,586 | – | – | – | – | 52,586 |
| Financial assets included in other receivables and deposits** | | | | | | |
| – Normal** | 9,649 | – | – | – | – | 9,649 |
| – Doubtful** | – | 124,493 | – | – | – | 124,493 |
| | 62,235 | 124,493 | 116,798 | 517,280 | – | 820,806 |

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 22 and 21 to the consolidated financial statements, respectively.

** The credit quality of the financial assets included in other receivables and deposits is considered to be “normal” when they are not past due or there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank deposit, finance lease receivables, other borrowing from an independent third party and lease liabilities. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | 2025 | | | | | | Carrying amounts HK\$'000 |
|---|------------------------------------|-----------------------|-----------------------------|-------------------------------|-----------------------------|---|------------------------------|
| | Weighted average interest rate (%) | On demand HK\$'000 | Within one year HK\$'000 | One to five years HK\$'000 | Over five years HK\$'000 | Total undiscounted cash flows HK\$'000 | |
| | Lease liabilities | 4.69 | – | 9,608 | 51,040 | 9,135 | |
| Trade payables | – | – | 116,243 | – | – | 116,243 | 116,243 |
| Financial liabilities included in other payables and accruals | 3.24 | 107,093 | 3,778 | – | – | 110,871 | 110,772 |
| Amounts due to related companies | – | 28,375 | – | – | – | 28,375 | 28,375 |
| Amounts due to associates | – | 16,024 | – | – | – | 16,024 | 16,024 |
| | | 151,492 | 129,629 | 51,040 | 9,135 | 341,296 | 332,037 |

| | 2024 | | | | | | Carrying amounts HK\$'000 |
|---|------------------------------------|-----------------------|-----------------------------|-------------------------------|-----------------------------|---|------------------------------|
| | Weighted average interest rate (%) | On demand HK\$'000 | Within one year HK\$'000 | One to five years HK\$'000 | Over five years HK\$'000 | Total undiscounted cash flows HK\$'000 | |
| | Lease liabilities | 4.74 | – | 9,934 | 48,669 | 19,396 | |
| Trade payables | – | – | 139,369 | – | – | 139,369 | 139,369 |
| Financial liabilities included in other payables and accruals | 7.56 | 98,830 | 3,454 | – | – | 102,284 | 102,041 |
| Amounts due to related companies | – | 27,677 | – | – | – | 27,677 | 27,677 |
| Amounts due to associates | – | 17,649 | – | – | – | 17,649 | 17,649 |
| | | 144,156 | 152,757 | 48,669 | 19,396 | 364,978 | 353,122 |



Notes to Consolidated Financial Statements

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments designated at fair value through other comprehensive income (note 18) and equity investments at fair value through profit or loss (note 26) as at 31 December 2025 and 2024.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments designated at fair value through other comprehensive income, the impact is deemed to be on the capital reserve and no account is given for factors such as impairment which might impact profit or loss.

| 2025 | Carrying amount of equity investments <i>HK\$'000</i> | Change in equity <i>HK\$'000</i> | Change in profit before tax <i>HK\$'000</i> |
|---|---|-------------------------------------|---|
| Investments listed in: | | | |
| Hong Kong – Equity investments at fair value through profit or loss | 38 | – | 2 |
| Others – Equity investments designated at fair value through other comprehensive income | 54,722 | 2,736 | – |
| 2024 | Carrying amount of equity investments <i>HK\$'000</i> | Change in equity <i>HK\$'000</i> | Change in profit before tax <i>HK\$'000</i> |
| Investments listed in: | | | |
| Hong Kong – Equity investments at fair value through profit or loss | 4,895 | – | 245 |
| Others – Equity investments designated at fair value through other comprehensive income | 54,661 | 2,733 | – |

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes lease liabilities, trade payables, financial liabilities included in other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Lease liabilities | 60,623 | 66,386 |
| Trade payables | 116,243 | 139,369 |
| Financial liabilities included in other payables and accruals | 110,772 | 102,041 |
| Less: Cash and cash equivalents | (38,247) | (52,586) |
| Net debt | 249,391 | 255,210 |
| Equity attributable to owners of the Company | 281,283 | 266,042 |
| Capital and net debt | 530,674 | 521,252 |
| Gearing ratio | 47.0% | 49.0% |

44. EVENTS AFTER THE REPORTING PERIOD

The Group had no material subsequent events after 31 December 2025 and up to the date of this report.



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31 December 2025

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| NON-CURRENT ASSET | | |
| Investments in subsidiaries | – | – |
| Total non-current asset | – | – |
| CURRENT ASSETS | | |
| Amounts due from subsidiaries (note (i)) | 394,984 | 394,966 |
| Prepayments, other receivables and deposits | 279 | 39 |
| Cash and cash equivalents | 437 | 151 |
| Total current assets | 395,700 | 395,156 |
| CURRENT LIABILITY | | |
| Amounts due to subsidiaries (note (i)) | 3,588 | – |
| Total current liability | 3,588 | – |
| NET CURRENT ASSETS | 392,112 | 395,156 |
| Net assets | 392,112 | 395,156 |
| EQUITY | | |
| Share capital | 353,043 | 353,043 |
| Shares held for Share Award Scheme | (8,169) | (8,169) |
| Treasury shares | (1,337) | (959) |
| Other reserves (note (ii)) | 48,575 | 51,241 |
| Total equity | 392,112 | 395,156 |

Xu Shengheng
Director

Liao Yuan
Director

Notes to Consolidated Financial Statements

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45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

- (i) The amounts due from (to) subsidiaries are unsecured, interest free and repayable on demand.
- (ii) A summary of the Company's other reserves is as follows:

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Capital reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------------|--------------------------------|-----------------------------------|-------------------|
| At 1 January 2024 | 895,393 | 154,381 | 32,235 | (1,027,494) | 54,515 |
| Loss and total comprehensive expense for the year | – | – | – | (3,274) | (3,274) |
| At 31 December 2024 and 1 January 2025 | 895,393 | 154,381 | 32,235 | (1,030,768) | 51,241 |
| Disposal of treasury shares | 340 | – | – | – | 340 |
| Loss and total comprehensive expense for the year | – | – | – | (3,006) | (3,006) |
| At 31 December 2025 | 895,733 | 154,381 | 32,235 | (1,033,774) | 48,575 |



Notes to Consolidated Financial Statements

31 December 2025

46. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 December 2024, the Group renewed a leasing arrangement in respect of office premises. Right-of-use assets and lease liabilities of approximately HK\$1,257,000 were recognised at the commencement of the leases.
- (b) In accordance with the settlement arrangement of the consideration receivable with Sichuan Changhong Air Condition Co., Ltd. * (四川長虹空調有限公司) (“Sichuan Changhong”), being the non-controlling interest of 地能熱寶, for the deemed disposal of 34% equity interest of HSG by the Group at a consideration of RMB19,618,000 (equivalent to approximately HK\$21,379,000) completed in 2023, the balances are to be settled by (i) share of net assets of 地能熱寶 upon deregistration of approximately RMB12,380,000 (equivalent to HK\$13,655,000); (ii) amount due to Sichuan Changhong of approximately RMB2,648,000 (equivalent to approximately HK\$2,922,000); and (iii) remaining balances of approximately RMB1,800,000 (equivalent to approximately HK\$1,958,000) settled in 2023 and approximately RMB2,790,000 (equivalent to approximately HK\$3,085,000) settled in 2024.

On 5 February 2024, the deregistration of 地能熱寶 were completed and therefore, the remaining consideration receivable of RMB17,818,000 (equivalent to HK\$19,662,000) are settled in full through (i) balances payables for share of net assets of 地能熱寶 of approximately RMB12,380,000 (equivalent to HK\$13,655,000); (ii) amount due to Sichuan Changhong of approximately RMB2,648,000 (equivalent to approximately HK\$2,922,000); and (iii) cash settlement of approximately RMB2,790,000 (equivalent to approximately HK\$3,085,000).

- (c) During the year ended 31 December 2024, a subsidiary of the Company received a civil judgment from the Beijing High People’s Court, regarding to the sales transaction on approximately 4.99965% of equity interests in Beijing Life Insurance Co., Ltd. (“Beijing Life”).

In accordance to final court ruling, the transaction must confine to be executed in accordance with the contractual terms. Pursuant to the contract, all relevant terms and conditions are completed, and the risks and rewards of the investment in equity interest of Beijing Life has already transferred to Shanghai Gangze Trading Company Limited* (上海港澤貿易有限公司), with the transfer of title of ownership is under the administrative procedures. Therefore, the management has concluded that the transaction is considered as completed and respective investment in equity interest of Beijing Life and the consideration received in other payables of approximately RMB237,000,000 are derecognised. No gain or loss is recognised.

Up to the date of this report, the transfer of title of ownership is still under the administrative procedures.

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 18 March 2026.

Five-Year Financial Summary

A summary of the published results and the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, are set out below.

CONSOLIDATED RESULTS

| | For the year ended 31 December | | | | |
|----------------------------------|--------------------------------|------------------|------------------|------------------|------------------|
| | 2025 HK\$'000 | 2024 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 |
| Revenue | 47,835 | 69,629 | 67,860 | 119,428 | 176,835 |
| Cost of sales | (35,393) | (56,912) | (58,601) | (104,307) | (145,595) |
| Gross profit | 12,442 | 12,717 | 9,259 | 15,121 | 31,240 |
| Gross profit margin | 26% | 18% | 14% | 13% | 18% |
| (Loss) profit before tax | (5,135) | 10,941 | 7,091 | (157,706) | (100,904) |
| Income tax credit/(expense) | 11,298 | 352 | (2,369) | 22,243 | (1,423) |
| Profit (loss) for the year | 6,163 | 11,293 | 4,722 | (135,463) | (102,327) |
| Attributable to: | | | | | |
| – Owners of the Company | 7,118 | 10,759 | 9,475 | (134,332) | (97,329) |
| – Non-controlling interests | (955) | 534 | (4,753) | (1,131) | (4,998) |
| Earnings (loss) per share | | | | | |
| – Basic (HK cents) | 0.16 | 0.24 | 0.21 | (2.97) | (2.20) |
| – Diluted (HK cents) | 0.16 | 0.24 | 0.21 | (2.97) | (2.20) |

CONSOLIDATED ASSETS AND LIABILITIES

| | 2025 HK\$'000 | 2024 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Non-current assets | 383,195 | 398,981 | 426,412 | 469,295 | 588,249 |
| Current assets | 431,929 | 457,820 | 778,487 | 778,554 | 977,383 |
| Current liabilities | (417,372) | (467,988) | (807,795) | (835,961) | (990,443) |
| Net current assets (liabilities) | 14,557 | (10,168) | (29,308) | (57,407) | (13,060) |
| Total assets less current liabilities | 397,752 | 388,813 | 397,104 | 411,888 | 575,189 |
| Non-current liabilities | (102,447) | (104,713) | (118,514) | (127,196) | (147,009) |
| Net assets | 295,305 | 284,100 | 278,590 | 284,692 | 428,180 |
| Total debt to equity ratio | 1.76 | 2.02 | 3.32 | 3.38 | 2.66 |



List of Major Properties Held by the Group

| Location | Approximate gross floor area (square meter) | Group's interest | Land use | Term of lease | Stage of completion | Anticipated completion |
|---|---|------------------|-------------------------|---------------|---------------------|------------------------|
| Building | | | | | | |
| No. 102 Xingshikou Road, Haidian District, Beijing, the PRC | 5,628.82 | 100% | Office and industrial | Medium | Completed | – |
| Investment property | | | | | | |
| Headquarter Block Nos. 026 and 027 office building, Jinjialin Village, Chengjiao Township, Fucheng District, Mianyang City, Sichuan Province, the PRC | 19,610.06 | 100% | Office | Medium | Completed | – |
| Room 1, 4th Floor, Unit 2, Building 24, Phase 2, Cluster 1, Siji Guizhou Chuntang Mansion, Qingzhen City, Guizhou Province, the PRC | 111.02 | 100% | Residential | Medium | Completed | – |
| Room 2, 30th Floor, Unit 1, Building 18, Phase 2, Cluster 1, Siji Guizhou Chuntang Mansion, Qingzhen City, Guizhou Province, the PRC | 93.82 | 100% | Residential | Medium | Completed | – |
| Properties held for sale | | | | | | |
| Xianyuwan Village, Xianyuwan Town, Wafangdian City, Dalian, Liaoning Province, the PRC | 173,289.00 | 100% | Residential/ Commercial | Medium | Completed | – |