THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SFK Construction Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SFK Construction Holdings Limited
新福港建設集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1447)

MAJOR TRANSACTION
DISPOSAL OF A SUBSIDIARY
AND THE GRANT OF THE PUT OPTION

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 29 of this circular.

The Disposal and the grant of the Put Option has been approved by written shareholders' approval and supplemental written shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

18 September 2026

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

"Announcement"	the announcement of the Company dated 30 June 2026 in relation to the Disposal;
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules;
"Benchmarked Receivables"	the receivable-type assets of the Target Company as at the Completion Date, including, among other things, notes receivable, accounts receivable, prepayments, other receivables, contract assets, construction in progress, inventories and long-term receivables as shown in the balance sheet, but excluding prepaid rent and deposits relating to the Target Company's leases, deposits for utilities and other public services, and receivables due from related parties, which are required to be settled to nil before Completion; the exact amount of the Benchmarked Receivables shall be the amount set out in the Interim Profit and Loss Report;
"Board"	the board of Directors;
"Business Day"	a day, other than a Saturday, Sunday or public holiday, on which banks in Hong Kong are generally open for business and provide normal banking services;
"Company"	SFK Construction Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the main board of the Stock Exchange (Stock Code: 1447);
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement;
"Completion Date"	the fifth Business Day after the fulfilment or waiver, as applicable, of the Conditions Precedent (other than those Conditions Precedent to be satisfied on the Completion Date), or such other date as may be agreed in writing by the Vendor and the Purchaser;
"Completion Period"	the period from 1 January 2026 to the Completion Date;

"connected person(s)"	has the meanings ascribed to it under the Listing Rules;
"Consideration"	the consideration for the sale of the Sale Shares in the sum of HK$44,390,400 (subject to the payment and adjustment mechanism set out in the Sale and Purchase Agreement) payable to the Vendor by the Purchaser for the Disposal;
"Director(s)"	the director(s) of the Company;
"Disposal"	the disposal of the Sale Shares by the Vendor;
"Group"	the Company and its subsidiaries;
"HIBOR"	Hong Kong Interbank Offered Rate;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Independent Valuer"	Valtech Valuation Advisory Limited;
"Interim Profit and Loss Report"	the special audit report to be issued within 10 Business Days after the Completion Date by a qualified auditing firm selected by the Purchaser in respect of the profit or loss of the Target Company for the Completion Period;
"Latest Practicable Date"	11 September 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Material Adverse Effect"	a material adverse effect on the Target Company, including a material adverse effect on its structure, financial position, business, assets, operations, business prospects, human resources or licences, and including the specific circumstances prescribed in the Sale and Purchase Agreement;
"Performance Guarantee"	the performance guarantee sets out in the paragraph headed "Put Option" in the Letter from the Board in this circular;
"Performance Guarantee Period"	the three-year period commencing on the Completion Date and ending on the third anniversary thereof (both days inclusive);

"PRC"	the People's Republic of China;
"Purchaser"	Guangdong Water Holdings Limited (粵海水務控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Guangdong Investment Limited whose securities are listed on the main board of the Stock Exchange (Stock Code: 0270);
"Put Option"	the put option exercisable by the Purchaser as described in the paragraph headed "Put Option" in the Letter from the Board in this circular;
"Remaining Consideration"	the remaining part of the Consideration in the amount of HK$14,390,400, representing approximately 32.42% of the Consideration, payable during the Performance Guarantee Period according to the recovery progress of the Benchmarked Receivables;
"Remaining Shares"	18,620,000 shares in the Target Company, representing 49% of the issued share capital of the Target Company, retained by the Vendor immediately after Completion;
"Sale and Purchase Agreement"	the Sale and Purchase Agreement dated 30 June 2026 between the Vendor and the Purchaser in relation to the Disposal;
"Sale Shares"	19,380,000 shares in the Target Company, representing 51% of the issued share capital of the Target Company, to be sold by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement;
"SFC"	The Securities & Futures Commission of Hong Kong;
"SFK Group"	Sun Fook Kong Group Limited (新福港集團有限公司), a company incorporated under the laws of the British Virgin Islands and the controlling Shareholder of the Company, which beneficially owns 300,000,000 Shares in the Company, representing 75% of the total issued share capital of the Company, as at the Latest Practicable Date;
"Share(s)"	the ordinary share(s) of the Company with nominal value of HK$0.1 each;
"Shareholder(s)"	the holders of the Shares;

"Share Charge"	the charge over the Remaining Shares held by the Vendor in favour of the Purchaser for the due and punctual performance of the Vendor's obligations under the Sale and Purchase Agreement;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplemental Agreement"	the Supplemental Agreement dated 24 August 2026 between the Vendor and the Purchaser in relation to the amendments of the terms in the Sale and Purchase Agreement;
"Target Company"	Bestwise Envirotech Limited (百威環保科技有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date;
"Valuation Benchmark Date"	31 December 2025, being the benchmark date agreed by the parties for the purpose of determining the Consideration;
"Valuation Report"	the valuation report in respect of 51% equity interest in the Target Company issued by Valtech Valuation Advisory Limited, the text of which is set out in Appendix V to this circular;
"Vendor"	ELM Keen Limited (榆敏有限公司), a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
"Vendor Guarantor"	Sun Fook Kong Construction Limited (新福港營造有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company; and
"%"	per cent.

SFK Construction Holdings Limited
新福港建設集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1447)

Executive Directors:
Mr. CHAN Ki Chun *(Chairman)*
Mr. YUNG Kim Man
Mr. YEUNG Cho Yin, William

Independent non-executive Directors:
Mr. JIM Fun Kwong, Frederick
Mr. CHAN Kim Hung, Simon
Dr. KOU Zhihui

Registered Office:
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New Territories
Hong Kong

18 September 2026

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
DISPOSAL OF A SUBSIDIARY
AND THE GRANT OF THE PUT OPTION

INTRODUCTION

Reference is made to the Announcement.

The Board announced that on 30 June 2026, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares for a consideration of HK$44,390,400, subject to adjustments to the Consideration in accordance with the Sale and Purchase Agreement. The Target Company is primarily engaged in providing electrical and mechanical engineering services in Hong Kong and is a contractor focusing in potable water and wastewater engineering infrastructure projects.

The Disposal constitutes a major transaction for the Company under the Listing Rules.

As the Company on 30 June 2026 obtained a written Shareholder's approval from SFK Group, being a Shareholder interested in 300,000,000 Shares, representing approximately 75% of the issued share capital of the Company as at the Latest Practicable Date pursuant to Rule 14.44 of the Listing Rules. Accordingly, the Company will not convene any general meeting of Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. The purpose of this circular is to provide you with the information relating to, among other things, further details of the Disposal together with other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarized below:

Date: 30 June 2026

Parties:

(i) ELM Keen Limited, an indirect wholly-owned subsidiary of the Company, as the Vendor;

(ii) Guangdong Water Holdings Limited, as the Purchaser;

(iii) Bestwise Envirotech Limited, as the Target Company; and

(iv) Sun Fook Kong Construction Limited, an indirect wholly-owned subsidiary of the Company, as the Vendor Guarantor.

Subject Matter

The Sale Shares, comprising 19,380,000 shares in the Target Company, representing 51% of the issued share capital of the Target Company. Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares of the Target Company.

As at the Latest Practicable Date, the Vendor legally and beneficially owns the entire issued share capital of the Target Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the Company's financial statements.

Consideration

Subject to any adjustments to the Consideration as described below, the Consideration shall be HK$44,390,400.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the agreed Valuation Benchmark Date of 31 December 2025; (ii) the special audit report of the Target Company prepared under the PRC accounting standards for verifying the historical financial information of the Target Company up to the Valuation Benchmark Date; (iii) the financial position, assets and business prospects of the Target Company; (iv) the Consideration adjustment mechanism contemplated under the Sale and Purchase Agreement; (v) the compensation arrangement upon the review of the Target Company's profit or loss for the period from 1 January 2026 to the Completion Date; (vi) the mechanism for settlement of part of the Consideration by reference to the recovery of the Target Company's Benchmarked Receivables during the Performance Guarantee Period; and (vii) the Valuation Report in respect of the value of the Sale Shares as at 31 December 2025.

The Company engaged the Independent Valuer to prepare the Valuation Report in respect of the value of the Sale Shares as at 31 December 2025 by using the discounted cash flow method under the income approach. According to the Valuation Report, the value of the Sale Shares as at 31 December 2025 by using the income approach was HK$41,547,000. The details of the Valuation Report is set out in Appendix V to this circular.

The parties agreed to adopt 31 December 2025 as the Valuation Benchmark Date because it was the latest financial year-end date of the Target Company for which complete financial information was available at the time of the negotiations.

Pursuant to the Sale and Purchase Agreement, the parties agreed that the Benchmarked Receivables, being the receivable-type assets of the Target Company as at the Completion Date, shall be fully recovered during the Performance Guarantee Period, and the Remaining Consideration shall be paid by the Purchaser to the Vendor progressively in proportion to the actual recovery of such Benchmarked Receivables.

The following table sets out a breakdown of the Benchmarked Receivables, excluding amounts due from related parties, which are required to be settled in full prior to Completion, as at the Latest Practicable Date:

Nature of the Benchmarked Receivables (*note 1*)	**Outstanding amount as at the Latest Practicable Date** *(HK$'000)*	**Expected timing of settlement**
Amounts due from customers for contract work	57,499	Expected to be recovered within 1 year *(note 2)*
Retention money receivable	13,632	Approximately HK$11.18 million is expected to be released in 2027 and approximately HK$2.45 million in 2028 *(note 3)*
Trade debtors and other receivables	13,904	Trade debtors: generally within 30 to 60 days from the date of billing. Deposits and other receivables: generally within 12 months *(note 4)*
Total	**85,035**	

Notes:

1. No provision for bad or doubtful debts had been made in respect of the Benchmarked Receivables as at the Latest Practicable Date.

2. The amounts due from customers for contract work primarily relate to the Target Company's right to consideration for work completed but the rights are conditional on confirmation by clients. The contract assets are transferred to trade receivables once client confirmed and the rights become unconditional. Such amounts are expected to be recovered within 1 year.

3. The retention money receivable is expected to be released upon expiry of the respective defects liability or maintenance periods under the relevant contracts, of which approximately HK$11.18 million is expected to be released in 2027 and approximately HK$2.45 million in 2028.

4. The trade debtors and other receivables comprise trade debtors, which are due within 30 to 60 days from the date of billing, and deposits, prepayments and other receivables, which are expected to be recovered, or recognised as expenses, within one year.

The exact amount of the Benchmarked Receivables will be determined by an annual review of the amount of Benchmarked Receivables received during the year by a qualified auditing firm selected by the Purchaser. If, upon expiry of the Performance Guarantee Period, any portion of the Benchmarked Receivables remains unrecovered, the Vendor shall reimburse the Target Company in cash for the full amount of such shortfall, and any unpaid portion of the Remaining Consideration will only become payable by the Purchaser after such compensation has been fully made by the Vendor.

The Board considered that the Disposal would allow the Group to realise an illustrative net gain of approximately HK$28,018,000 while retaining a 49% equity interest in the Target Company upon Completion, thereby allowing the Group to continue to participate in the future development of the Target Company.

The illustrative net gain of approximately HK$28,018,000 is calculated as follows:

Items	**Amount** *(HK$'000)*
Consideration of the Sale Shares	44,390
Equity value of retained 49% interest of the Target Company	42,650
Less: Audited net asset value of the Target Company as at 30 June 2026	(28,555)
Less: Goodwill written off on the Disposal	(1,209)
Less: Provision for diminution in value of retained 49% interest of the Target Company *(Note)*	(28,658)
Less: Estimated transaction costs of the Disposal	(600)
Illustrative net gain on the Disposal	**28,018**

Note: The provision for diminution in value of the retained 49% interest of approximately HK$28,658,000 is calculated as the difference between the equity value attributable to the retained 49% interest of approximately HK$42,650,000 and the Group's attributable share of the audited net asset value of the Target Company as at 30 June 2026:

HK$42,650,000 – (HK$28,555,000 × 49%) = HK$28,658,050

Accordingly, the projected carrying value of the Target Company at the Completion Date is estimated at approximately HK$29,764,000, which is calculated as follows:

Items	**Amount** *(HK$'000)*
Audited net asset value of the Target Company as at 30 June 2026	28,555
Goodwill attributable to the Target Company to be derecognised	1,209
Projected carrying value of the Target Company at the Completion Date	**29,764**

In light of the above, the Board is of the view that the Consideration was fair and reasonable after arm's length negotiations and that the Disposal is in the interests of the Company and the Shareholders as a whole.

Terms of Payment

The Consideration shall be payable in the following manner:

(a) First Instalment

A first instalment of HK$18,000,000, representing approximately 40.55% of the Consideration, shall be payable within 5 calendar days when the share transfer documents under the Sale and Purchase Agreement have been duly stamped by the Hong Kong Stamp Office and the Vendor has duly executed the Share Charge.

(b) Second Instalment

A second instalment of HK$12,000,000, representing approximately 27.03% of the Consideration, shall be payable within 10 calendar days after the Purchaser's confirmation of their satisfaction of all of the following events having taken place, provided that Completion has taken place and/or the following conditions have been satisfied:

(i) after the Completion Date, a qualified audit firm selected by the Purchaser has completed the Interim Profit and Loss Report of the Target Company for the period from 1 January 2026 to the Completion Date, and the parties have confirmed the results of such profit or loss within 10 days after the issuance of the Interim Profit and Loss Report;

(ii) the registration formalities in respect of the Share Charge having been completed;

(iii) neither the Vendor nor the Vendor Guarantor has materially breached the terms and conditions of the Sale and Purchase Agreement, or where any breach has occurred, such breach has been properly remedied to the satisfaction of the Purchaser, and there has been no change in the Target Company which would give rise to a Material Adverse Effect; and

(iv) the Vendor has made compensation in respect of the profit or loss during the Completion Period in accordance with the relevant provisions of the Sale and Purchase Agreement, if applicable. The arrangement is as described below:

(1) Within 10 Business Days after the Completion Date, a qualified auditing firm selected by the Purchaser shall prepare the Interim Profit and Loss Report in respect of the Target Company's profit or loss during the Completion Period. The Vendor and the Purchaser shall confirm the Completion Period profit or loss within 10 days after the issuance of the Interim Profit and Loss Report. The profit or loss during the Completion Period excludes the effect of the Target Company's capital reduction.

(2) If the Target Company records a loss during the Completion Period, the Vendor shall compensate the Target Company in cash for the full amount of such loss. If the Target Company records a profit during the Completion Period, the Target Company shall pay to the Vendor an amount equal to such profit.

(c) Remaining Consideration

The Remaining Consideration of HK$14,390,400, representing approximately 32.42% of the Consideration, shall be payable during the Performance Guarantee Period in proportion to the recovery progress of the Benchmarked Receivables, the amount of which shall be determined in accordance with the Interim Profit and Loss Report.

On or before 28 February of each year, the Target Company shall conduct an audit of the recovery status of the Benchmarked Receivables for the preceding financial year and notify the Vendor and the Purchaser of the amount so recovered during that year. Within 60 days after the Target Company issues such recovery amount, the Purchaser shall pay to the Vendor the relevant annual portion of the Remaining Consideration, which shall be calculated as follows:

$$\textit{Annual payment of the Remaining Consideration} = \frac{\textit{Annual recovered amount of Benchmarked Receivables}}{\textit{Total Benchmarked Receivables}} \times \textit{Remaining Consideration}$$

The amount of the Remaining Consideration payable in each year is determined on a pro-rata basis by reference to the ratio of the amount of Benchmarked Receivables actually recovered annually to the total amount of the Benchmarked Receivables, multiplied by the Remaining Consideration.

If, upon expiry of the Performance Guarantee Period, any Benchmarked Receivables remain unrecovered, the Vendor shall reimburse the Target Company in cash for the full amount of such unrecovered receivables within 30 days after receipt of a payment notice from the Target Company, and the Purchaser shall pay any unpaid portion of the Remaining Consideration within 60 days after the Vendor has settled such compensation in full.

If any previously unrecovered Benchmarked Receivables are subsequently recovered by the Target Company after the expiry of the Performance Guarantee Period, the Target Company shall refund the corresponding compensation amount to the Vendor once every financial year based on the actual amount recovered, after deducting any litigation costs, legal fees, preservation fees and reasonable administrative costs incurred in recovering such receivables.

Conditions Precedent

Completion is conditional upon, among others, the following Conditions:

(a) the representations, warranties and undertakings given by the Vendor and the Vendor Guarantor under the Sale and Purchase Agreement remaining true, complete, accurate and not misleading in all material respects from the date of the Sale and Purchase Agreement up to the Completion Date;

(b) neither the Vendor, the Vendor Guarantor nor the Target Company having materially breached any terms and conditions of the Sale and Purchase Agreement, and there having been no breach of any applicable laws;

(c) the Vendor, the Vendor Guarantor and the Target Company having obtained all necessary authorisations, consents, licences, agreements, approvals or permissions of any kind of, from or by third parties and/or government or regulatory authorities required for the parties for execution and performance of the Sale and Purchase Agreement and implementation of transactions contemplated thereunder;

(d) the Company having obtained Shareholders' approval for the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules;

(e) the Vendor having obtained the approval of its shareholder(s) and board of directors for the signing of the Sale and Purchase Agreement and the completion of the transactions contemplated thereunder;

(f) the Vendor Guarantor having obtained the approval of its board of directors for the signing of the Sale and Purchase Agreement and the completion of the transactions contemplated thereunder;

(g) the Target Company having legally completed the capital reduction to HK$38,000,000 in accordance with the Companies Ordinance and its constitutional documents;

(h) the Target Company having reduced all receivables due from and payables due to related parties to nil, and the relevant settlement arrangement having been reasonably accepted by the professional advisers designated by the Purchaser;

(i) the Vendor having advanced to the Target Company, before Completion, an interest-free shareholder's loan of not less than HK$20,000,000 with a term of not less than two years commencing from the Completion Date;

(j) the Target Company having entered into an irrevocable trademark assignment with Sun Fook Kong Holdings Limited in respect of the "Bestwise" trademark (Trade Mark No. 304872123) currently used by it so that the ownership of such registered trademark being transferred to the Target Company;

(k) the Target Company having maintained, before the Completion Date, a revolving bank loan facility of not less than HK$43,570,000;

(l) there having been no change affecting the Vendor, the Vendor Guarantor or the Target Company during the period up to Completion which would give rise to a Material Adverse Effect;

(m) the Vendor and the Purchaser having executed the Share Charge; and

(n) the Group having complied with all applicable disclosure and approval requirements of the Stock Exchange, the SFC and other competent authorities, where applicable, in relation to the transactions contemplated under the Sale and Purchase Agreement.

Conditions (g) to (k) are capable of being waived by the Purchaser in writing and other conditions are not capable of being waived.

Conditions (g) & (h): capital reduction and settlement of related-party balances

The capital reduction referred to in condition (g) was legally completed on 18 May 2026. The issued share capital of the Target Company was reduced from approximately HK$200,578,000 to HK$38,000,000, representing a reduction of approximately HK$162,578,000. Separately, pursuant to condition (h), all receivables due from and payables due to related parties are required to be settled to nil before Completion. The settlement of such related-party balances is a separate pre-Completion arrangement and does not form part of the capital reduction.

For the purpose of the Valuation Report only, the Independent Valuer has assumed that both the capital reduction and the settlement of the related-party balances had been completed as at the Valuation Benchmark Date of 31 December 2025. Taking into account the capital reduction and the settlement of such related-party balances, the Target Company's net assets were adjusted from approximately HK$187.7 million to approximately HK$25.1 million for valuation purposes. These adjustments were made solely to reflect the expected standalone financial position of the Target Company upon Completion and do not represent its actual historical financial position as at 31 December 2025 or an adjustment to the Consideration. For further details, please refer to the section titled "Consideration of the proposed capital reduction and settlement of inter-company balances" in the Appendix V to this circular.

Conditions (i): the shareholder's loan

The interest-free shareholder's loan of HK$20 million referred to in the condition (i) was not newly granted pursuant to the Sale and Purchase Agreement, but had already been advanced by the Vendor to the Target Company (without fixed repayment term) before the parties entered into the Sale and Purchase Agreement on 30 June 2026.

At the time the shareholder's loan was advanced, the Target Company was still an indirect wholly-owned subsidiary of the Company. The shareholder's loan was advanced principally for the settlement of a credit facilities drawn from a licensed bank in Hong Kong previously utilised by the Target Company and to ensure the Target Company having sufficient cash flow for its operations. The relevant condition precedent in the Sale and Purchase Agreement was included to ensure that such shareholder's loan would not be subsequently retracted by the Vendor or the Group after the Completion.

Condition (j): the trademark assignment

The "Bestwise" trademark referred to in the condition (j) is currently legally owned by Sun Fook Kong Holdings Limited, the sole shareholder of the Vendor. The trademark has been used by the Target Company in connection with its electrical and mechanical engineering and related water-treatment business. As the Purchaser will acquire a 51% controlling interest in the Target Company upon Completion, the parties consider it commercially appropriate for ownership of the trademark used by the Target Company to be transferred to the Target Company before Completion.

Condition (k): bank loan facility

The Target Company's existing bank loan facility is secured by a corporate guarantee provided by the Company, and security deed for all account receivables related to such project in favour of the bank in connection with the bank loan facility granted to the Target Company amounting to HK$80,000,000 as at 30 June 2026.

As at 30 June 2026, no amount was drawn down or outstanding under the bank loan facility. The corporate guarantee provided by the Company in respect of the bank loan facility will be discharged in full on or before the Completion. Completion shall not take place unless and until the Company has been released in full by the relevant lending bank from all present and future obligations under such corporate guarantee.

Condition (n): other disclosure and approval requirements

In relation to the condition (n), save for the disclosure and approval requirements under the Listing Rules, the Company is not aware of any disclosure and approval requirements of the SFC or any other competent authority that are applicable to the transactions contemplated under the Sale and Purchase Agreement.

As at the Latest Practicable Date, save for the conditions (h), (j), (m) and (n) which have not been fulfilled or waived (where applicable), all the other conditions precedent have been fulfilled (but subject to their ongoing fulfillment).

Guarantee

The Vendor Guarantor will provide a guarantee to the Purchaser as to certain of the Vendor's obligations under the Sale and Purchase Agreement, including, among other things, liabilities arising from any material breach of the Vendor's warranties and undertakings, any undisclosed liabilities or contingent liabilities of the Target Company not disclosed in the relevant audit reports, any default, cross-default, acceleration or early termination under the Target Company's material contracts arising from the Disposal, and compliance with the Target Company's required bank facility arrangement under the Sale and Purchase Agreement.

Completion

Completion shall take place on the 5th Business Day following all the conditions precedent have been fulfilled or waived, or such other date as the Company and the Purchaser shall agree in writing.

Board Composition after Completion

Upon Completion, pursuant to the Sale and Purchase Agreement, unless otherwise agreed or stipulated in writing by all shareholders of the Target Company, the board of directors of the Target Company will comprise nine directors. The Purchaser will have the right to nominate five directors and the Vendor will have the right to nominate four directors. Accordingly, the Purchaser will have the right to nominate a majority of the directors of the Target Company after Completion.

Put Option

In case of occurrence of the following matters during the Performance Guarantee Period, the Purchaser shall have the right to exercise a put option (the "**Put Option**") to require the Vendor redeeming part or all of the Sale Shares by giving written notice:

(i) the Target Company fails to maintain all necessary qualifications, licences and permits for undertaking public projects;

(ii) the Target Company fails to record an accumulated profit before tax of HK$22,392,000 (the "**Performance Guarantee**");

(iii) the Vendor materially breaches any representation, warranties and undertakings of the Sale and Purchase Agreement and such breach is not remedied upon reasonable notice given by the Purchaser, which causes material detriment to the interest of the Vendor or the Target Company under the Sale and Purchase Agreement; and

(iv) there is a deadlock in any matters which require shareholders' approval of the Target Company leading to a shareholders' meeting not being able to be held for six months, which is caused by the Vendor.

Upon the Purchaser exercising the Put Option, all remaining instalments of the Consideration would no longer be payable and the Vendor shall buy back the Sale Shares (in part or in full).

Basis of the Performance Guarantee

The Performance Guarantee is set at HK$22,392,000, being 60% of the agreed performance guarantee target of HK$37,320,000 (the "**Performance Guarantee Target**"). The Performance Guarantee Target represents the Target Company's cumulative profit before tax target for the three-year Performance Guarantee Period. Accordingly, the Performance Guarantee Target of HK$37,320,000 represents an average annual profit before tax of HK$12,440,000.

The amount of HK$12,440,000 is broadly comparable to, and is slightly higher than, the Target Company's audited profit before tax of approximately HK$12,410,000 for the year ended 31 December 2024, which was the lowest profit before tax recorded by the Target Company during the three years ended 31 December 2023, 2024 and 2025.

The Board considers that the Performance Guarantee Target was determined after arm's-length negotiations between the Vendor and the Purchaser, taking into account the Target Company's historical profitability, the nature of its project-based business, the anticipated completion timetable of projects on hand, the uncertainty of future project awards and tender outcomes, and the competitive market conditions.

The Put Option is not triggered merely because the Target Company fails to achieve the Performance Guarantee Target of HK$37,320,000. The relevant trigger applies only if the Target Company fails to achieve 60% of the Performance Guarantee Target, namely an accumulated profit before tax of HK$22,392,000, during the three-year Performance Guarantee Period. The Purchaser is therefore required to bear the risk of the Target Company achieving between 60% and 100% of the Performance Guarantee Target.

The actual accumulated profit before tax for the Performance Guarantee Period will be determined by reference to the special audit report to be prepared after the expiry of the Performance Guarantee Period in accordance with the Sale and Purchase Agreement. The Board considers that this independent verification mechanism provides an objective basis for determining whether the relevant Put Option trigger has occurred.

Having considered the above, the Board considers that the terms of the Performance Guarantee and the related Put Option trigger are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. The Performance Guarantee forms part of the overall commercially negotiated risk-allocation arrangement under the Sale and Purchase Agreement.

SUPPLEMENTAL AGREEMENT

On 24 August 2026, the Vendor, the Purchaser, the Target Company and the Vendor Guarantor, entered into the Supplemental Agreement to amend certain terms of the Sale and Purchase Agreement. Pursuant to the Supplemental Agreement, the parties agreed, among other things, to amend the Put Option exercise price mechanism under the Sale and Purchase Agreement. The details of the Supplemental Agreement are set out below.

Under the Supplemental Agreement, the repurchase price of the Put Option is calculated as follows:

(a) the aggregate amount of the Consideration actually paid by the Purchaser to the Vendor as at the date of the Purchaser's written notice exercising the Put Option; **plus**

(b) simple interest on each instalment of the Consideration actually paid, calculated at the one-month HIBOR prevailing on the date of payment of that instalment plus 1% per annum, for the period from the day immediately following the date on which that instalment is paid in full to the Vendor's designated account up to the date of the Purchaser's written notice exercising the Put Option; **less**

(c) total amount of dividends actually received by the Purchaser from the Target Company during the Performance Guarantee Period.

Upon exercise of the Put Option, any part of the Consideration which remains unpaid as at the date of the Purchaser's written notice exercising the Put Option will cease to be payable by the Purchaser and will not be included for the purpose of determining the final repurchase price payable by the Vendor.

For the purpose of calculating interest, the one-month HIBOR applied to any instalment is capped at 5.65946%, being the highest one-month HIBOR recorded during the ten-year period ended 30 June 2026, recorded on 29 November 2023. The maximum applicable interest rate is therefore 6.65946% per annum.

The Purchaser may exercise the Put Option by giving written notice to the Vendor at any time during the Performance Guarantee Period or within one year after the expiry of the Performance Guarantee Period. The interest-accrual period in respect of each paid instalment of Consideration shall not extend beyond the expiry of the Performance Guarantee Period. Accordingly, if the Purchaser gives its written notice to exercise the Put Option after the expiry of the Performance Guarantee Period, interest shall cease to accrue on the expiry of the Performance Guarantee Period.

The Supplemental Agreement further provides that the final repurchase price shall not exceed HK$53,258,883. It is based on the assumptions that: (i) the Purchaser has paid the full Consideration of HK$44,390,400; (ii) the Purchaser has not received any dividends during the Performance Guarantee Period; (iii) the maximum applicable interest rate of 6.65946% per annum applies; and (iv) interest is calculated for the maximum period of three years, ending on the expiry of the Performance Guarantee Period. The calculation is as follows:

HK$44,390,400 + (HK$44,390,400 × (5.65946% + 1%) × 3) = HK$53,258,883

In addition, the Supplemental Agreement removes the alternative limb previously available in the Sale and Purchase Agreement in determining the monetary value of the Put Option under the Sale and Purchase Agreement, namely the then appraised value of the Sale Shares as determined by an independent valuer appointed by the Purchaser. In the circumstances, the Company considers that HK$53,258,883 represents the highest possible monetary value of the Put Option for the purpose of Rule 14.76(1) of the Listing Rules.

Save as disclosed above, all other principal terms and conditions of the Sale and Purchase Agreement remain unchanged.

REASONS AND BENEFITS FOR THE GRANT OF THE PUT OPTION

The Put Option was granted as a commercially negotiated protection mechanism for the Purchaser in respect of specified adverse events during the Performance Guarantee Period. The Board considers that the grant of the Put Option was commercially reasonable to provide the Purchaser with contractual protection against specified adverse events concerning the Target Company's performance, operations, qualifications and regulatory compliance, and the Vendor's performance of its obligations under the Sale and Purchase Agreement, in connection with the Purchaser's acquisition of a 51% controlling interest in the Target Company.

The Put Option is not exercisable by the Purchaser at its sole and absolute discretion. The Purchaser may exercise the Put Option only upon the occurrence of one or more of the specified trigger events set out above. The Put Option therefore incentivises the Group to use reasonable endeavours to support the Target Company in maintaining its relevant qualifications, licences and permits, achieving the Performance Guarantee Target and complying with the Vendor's obligations under the Sale and Purchase Agreement. At the same time, it provides the Purchaser with a contractual exit mechanism upon the occurrence of the specified trigger events.

The Board further considers that the grant of the Put Option was an integral part of the overall commercial arrangement for the Disposal and was negotiated together with the Consideration, the Benchmarked Receivables recovery mechanism, the Performance Guarantee and the other risk-allocation arrangements under the Sale and Purchase Agreement. The Put Option provided the Purchaser with the assurance required to proceed with the acquisition of the Sale Shares, while enabling the Group to realise part of the value in the Target Company, retain a 49% equity interest and continue to participate in its future development.

Following the execution of the Supplemental Agreement, the amended exercise price mechanism applies a cap of 5.65946% to the applicable one-month HIBOR and provides that the final repurchase price payable by the Vendor shall not exceed HK$53,258,883. The Board considers that these amended arrangements provide greater certainty as to the Group's maximum potential financial exposure under the Put Option while preserving the Purchaser's agreed contractual protection against the specified trigger events.

Having considered the above, the Board considers that the grant of the Put Option, as amended by the Supplemental Agreement, is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROFIT FORECAST UNDER THE LISTING RULES

The Company has engaged the Independent Valuer to prepare the Valuation Report in respect of 51% equity interest in the Target Company as at 31 December 2025 by using the discounted cash flow method under the income approach. Accordingly, the Valuation Report constitutes a profit forecast under Rule 14.61 of the Listing Rules. For the purpose of complying with Rule 14.60A of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuation Report was based are as follows, details of which shall be referred to the Valuation Report contained in Appendix V to this circular:

General Assumptions

1. There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where the Target Company currently operates in and in new markets that the Target Company may potentially expand into as proposed by the existing management of the Company;

2. There are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;

3. There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of the Target Company;

4. There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which the Target Company operates in or the Target Company may potentially operate in;

5. All relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by the Target Company under the normal course of business;

6. The Target Company will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; and

7. Trademarks, patents, technology, copyrights and other valuable technical and management know-how will not be infringed in countries/regions where the Target Company is or will be carrying on business.

Major Assumptions

1. **Consideration of the proposed capital reduction and settlement of inter-company balances:** In determining the Market Value of the 51% equity interest in the Target Company as at the 31 December 2025, the Independent Valuer has considered the effects of (i) the proposed capital reduction of the Target Company to HK$38,000,000; and (ii) the settlement of all receivables due from and payables due to related parties to nil. Pursuant to the Sale and Purchase Agreement, the completion of the capital reduction and the settlement of such related-party balances constitute conditions precedent to Completion.

2. **Revenue Forecast:** Revenue primarily comprises contract revenue and service income generated from the Target Company's potable-water and wastewater engineering infrastructure projects. The forecast was prepared on a project-by-project basis, having regard to the existing order backlog, the expected commencement and completion dates of individual contracts, anticipated work progress, historical run rates for recurring works, and management's assessment of the timing and probability of securing identified tenders and future contract awards.

For analysis purposes, revenue has been grouped into: (i) major and minor maintenance contracts; (ii) Drainage Services Department ("**DSD**") term contracts; and (iii) Housing Authority contracts. Project and new works revenue has been grouped into: (iv) mega projects; and (v) non-mega projects.

On this basis, total revenue is forecast at approximately HK$354.0 million, HK$339.1 million, HK$398.2 million, HK$501.5 million, HK$476.7 million, HK$531.9 million and HK$476.7 million for each of the years ending 31 December 2026 to 2032, respectively, representing a compound annual growth rate of approximately 5.1% over the period from 2026 to 2032. The forecast does not exhibit a uniform annual growth pattern because revenue recognition is determined principally by the commencement, progress and completion of individual contracts. In particular:

(a) major and minor maintenance contracts are forecast to remain broadly stable at approximately HK$42.4 million to HK$56.4 million per annum;

(b) DSD term contract revenue is forecast to decrease upon completion of the existing contract, before increasing from 2029 following the expected commencement of a new DSD term contract;

(c) Housing Authority contract revenue is forecast to increase from approximately HK$84.9 million in 2026 to a peak of approximately HK$245.5 million in 2029, before decreasing to approximately HK$78.0 million in 2032 as the relevant works progress towards completion;

(d) revenue from non-mega projects is forecast to be concentrated between 2026 and 2029;

(e) mega-project revenue fluctuates according to the forecast construction programmes of the mega projects and is expected to become a more significant contributor from 2028 onwards; and

(f) future tenders and other anticipated project awards are forecast to contribute from 2028, increasing to approximately HK$102.0 million by 2032.

Revenue relating to contracts not yet awarded remains subject to successful tendering, actual contract awards and the timing of project execution. Beyond 2032, a long-term growth rate of approximately 2.4% has been adopted with reference to the average forecast inflation rate for Hong Kong from 2026 to 2030 as sourced from the IMF World Economic Outlook Database, October 2025.

3. **Cost of revenue:** Cost of revenue represents costs directly attributable to the Target Company's potable-water and wastewater engineering contracts and maintenance services. The forecast was prepared on a project-by-project basis by matching the forecast revenue of each contract with its corresponding direct cost budget or expected gross margin. Cost of revenue has been grouped on the same basis as the revenue forecast.

   Total cost of revenue is projected at approximately HK$333.6 million, HK$318.4 million, HK$377.1 million, HK$480.0 million, HK$455.2 million, HK$509.8 million and HK$454.7 million for each of the years ending 31 December 2026 to 2032, respectively. Gross profit is forecast to remain within a relatively narrow range of approximately HK$20.4 million to HK$22.1 million, representing overall gross margins of approximately 5.8%, 6.1%, 5.3%, 4.3%, 4.5%, 4.1% and 4.6% over the same period.

   The forecast does not apply a single cost-of-revenue growth rate or a single gross margin across all years. Instead, it reflects project-specific cost budgets, expected margins and the changing contract mix.

   The lower overall gross margins in 2029 and 2031 principally reflect the higher weighting of lower-margin DSD, Housing Authority and mega-project revenue in those years. Costs relating to contracts not yet awarded remain subject to tender success, actual contract award and the project execution timetable. Beyond 2032, a long-term growth rate of approximately 2.4% has been adopted on the same basis as the revenue forecast.

4. **Operating expenses:** Operating expenses mainly comprise administrative and other operating expenses, excluding depreciation and amortization, incurred in supporting the Target Company's engineering operations. Management projected operating expenses with reference to the historical cost base and the level of overhead required to support the forecast project pipeline. More specifically, the 2026 forecast is prepared by combining the actual administrative expense base for January to June 2026 with management's budget for July to December 2026, and the subsequent forecast is developed line by line.

   Operating expenses (excluding depreciation and amortization and finance costs) are projected to be approximately HK$8.1 million, HK$8.4 million, HK$8.6 million, HK$8.8 million, HK$9.1 million, HK$9.3 million and HK$9.6 million for each of the years ending 31 December 2026 to 2032, respectively, representing an annualized increase of approximately 3.0%. Salaries and allowances, being the largest component, are forecast at approximately HK$6.4 million in 2026 and are increased by 3.0% per annum to approximately HK$7.7 million in 2032. Office management fees are likewise increased by 3.0% per annum. Motor vehicle rental and most recurring utility, travelling, printing, staff-welfare and other office costs are generally increased by approximately 2.0% per annum. Beyond 2032, a long-term growth rate of approximately 2.4% has been adopted on the same basis as the revenue forecast.

5. **Depreciation and amortization:** Depreciation and amortization comprises depreciation of owned property, plant and equipment and right-of-use assets. The forecast was prepared with reference to the existing net book values, the remaining depreciation of right-of-use assets and the depreciation arising from forecast maintenance and replacement capital expenditure.

6. **Corporate Income Tax Rate:** It is assumed that the taxable income generated by the Target Company will be subject to Hong Kong profits tax at the statutory rate of 16.5%. The financial projections also take into account deferred tax assets of approximately HK$12.8 million as at 31 December 2025. Subject to the availability of sufficient future taxable profits and the applicable tax regulations, the tax benefits arising from these deferred tax assets are assumed to be utilized to offset the income tax otherwise arising during the financial projection period.

7. **Capital expenditure:** Capital expenditure represents additions to owned property, plant and equipment and right-of-use assets required for daily operations. The forecast reflects recurring maintenance and replacement requirements, together with a specific motor vehicle addition in 2026.

8. **Change in Working Capital:** Working capital comprises trade debtors, deposits, prepayments and other receivables, contract assets, trade creditors, retentions payable, accruals and other payables, and contract liabilities. The forecast applies trade debtors and trade creditors turnover days of approximately 22.3 days and 22.8 days, respectively, derived from the relevant reported financial information. Relevant balance sheet ratios were also applied to deposits, prepayments and other receivables, contract assets, contract liabilities, retention payables and accruals and other payables.

Cheng & Cheng Limited, the reporting accountants of the Company, has been engaged by the Company to review the calculations of the discounted cash flows upon which the Valuation Report was based on, which do not involve any review on the reasonableness and validity of the assumptions. The report from Cheng & Cheng Limited is set out in Appendix VI to this circular. The Board has reviewed and considered the Valuation Report including the principal assumptions upon which the Valuation Report was based. The Board has also considered the report from Cheng & Cheng Limited. On the basis of the foregoing, the Board is of the opinion that the Valuation Report has been made after due and careful enquiry. A letter from the Board is set out in Appendix VII to this circular.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is a contractor focusing in potable water and wastewater engineering infrastructure projects. The projects which are undertaken by the Target Company include potable water treatment plants, municipal sewage treatment plants, industrial wastewater treatment plants, desalination plants, membrane technology and separation and bio-process. The Target Company is an approved contractor on the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" of the Hong Kong Government for certain specific categories of works (subject to certain conditions), including, among others, "Supply and Installation of Water Treatment Plant".

As at the Latest Practicable Date, the Target Company is a wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the Company's financial statements. Upon Completion, the Group will hold 18,620,000 shares in the Target Company, representing 49% of the issued share capital of the Target Company. As at the Latest Practicable Date, the Group intends to retain the Remaining Shares.

A summary of the audited financial information of the Target Company for the two years ended 31 December 2025 is set out below:

	For the year ended 31 December	
	2024	**2025**
	HK$'000	*HK$'000*
Profit before tax	12,410	13,485
Profit after tax	10,396	11,257

As at 30 June 2026, the Target Company had an audited net asset value of approximately HK$28,555,000.

FINANCIAL EFFECTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

As at the Latest Practicable Date, the Target Company was an indirect wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the Company's financial statements.

For illustration purposes only, it is expected that the Group will realise a net gain on the Disposal of approximately HK$28,018,000, which is calculated by reference to the difference between (a) the Consideration relating to the Sale Shares of the Target Company, and (b) the projected carrying value of the Target Company at the Completion Date and the estimated related transaction costs, taxes and expenses of the Disposal. The net gain on the Disposal above is calculated based on the information available as of the Latest Practicable Date and will be subject to any adjustments to the Consideration in accordance with the Sale and Purchase Agreement, final audit by the Company's external auditor and any further adjustments relating to Hong Kong Financial Reporting Standards.

The estimated net proceeds from the Disposal are approximately HK$43,790,000. The Group intends to apply the net proceeds from the Disposal as general working capital for the existing operations of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Purchaser is a wholly-owned subsidiary of Guangdong Investment Limited, the shares of which are listed on the Stock Exchange (stock code: 0270). The Directors believe that the Purchaser's background as a state-owned enterprise under Guangdong Investment Limited, may enhance the Target Company's ability to pursue larger-scale water resources projects in the Guangdong-Hong Kong-Macao Greater Bay Area and may create potential opportunities for future business development of the Target Company, in which the Company will retain a 49% interest upon Completion.

The Target Company was acquired by the Group in December 2017 for the Group to tap into wastewater and potable water treatment industry. During the years after the acquisition of the Target Company, the Group continued to engage in public works of electrical and mechanical installation for sewage and water treatment plants by employing the know-how and technicalities from the Target Company. While retaining 49% interest in the Target Company, the Disposal represents a timely opportunity for the Group to realise the intrinsic value of the Target Company, crystallise a gain on investment, and redeploy the proceeds into businesses and projects expected to deliver a higher return on capital and stronger synergies with the Group's existing businesses and asset base.

After the Completion, the Group will retain a 49% interest in the Target Company upon Completion and will continue to participate in the future development of the Target Company. More importantly, the Board considered that the Purchaser is a state-owned water and environmental services group with an established full-industry-chain platform covering raw water, potable water, sewage treatment, water environment management, clean energy, technology research and development and water quality testing. Its business is deployed across 29 provinces and regions of the PRC with more than 100 invested and operated water projects. Its business scale, revenue and profitability rank among the leading players in the PRC water industry.

The Board considered that such industry background, resources and technical capability would be beneficial to the Target Company, which is a Hong Kong-based contractor, specialising in potable water and waste water engineering infrastructure projects and holding relevant qualifications for public works and water treatment plant installation works in Hong Kong. In particular, the Board considered that the Target Company would be able to leverage the Purchaser's industry resources, project pipeline, technology research and development capability, smart water capability and broader water infrastructure platform to pursue larger-scale water infrastructure and electromechanical engineering opportunities in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area (the "**GBA**"). Subject to compliance with all applicable laws, regulations, registration or filing requirements, qualifications, licensing requirements, tender requirements and project-specific conditions, the Target Company may be able to participate in or provide services for relevant projects in the Mainland cities of the GBA.

Having considered the above, the Board is of the view that, notwithstanding the Target Company's significant contribution to the Group's profit before tax in 2025, the Disposal is commercially justifiable because (i) the Consideration has factored the estimated future profit of the Target Company in the next seven years; and (ii) it brings in a strategic shareholder with stronger industry background, resources, connections and development capability, while (iii) allowing the Group to retain substantial ongoing exposure to the Target Company's future growth. Accordingly, as the terms of the Disposal were concluded after arm's length negotiations and such terms were on normal commercial terms, the Directors, including the independent non-executive Directors, are of the view that the terms of the Disposal are fair and reasonable and the Disposal is in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

The Company is principally engaged in construction and maintenance projects in Hong Kong. In addition, the Group provides other services, which comprise mainly housing and property management services (such as the provision of cleaning services and security management services), fresh water and flush water maintenance services, sewage water sampling services, electrical and mechanical engineering services and building information modelling services to real estates in Hong Kong.

The Vendor

The Vendor is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of the Company.

The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in electrical and mechanical engineering, being a contractor focusing in potable water and wastewater engineering infrastructure projects. It is a wholly-owned subsidiary of the Vendor.

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in water resources business. The Purchaser is a wholly-owned subsidiary of Guangdong Investment Limited, the shares of which are listed on the Stock Exchange (stock code: 0270). To the best of the Directors' information and belief after making reasonable enquiries, the Purchaser and Guangdong Investment Limited are independent third parties and are independent of and not connected with the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As one of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Put Option is exercisable at the discretion of the Purchaser upon the occurrence of certain events as specified above, with the exercise price of the Put Option to be determined in accordance with the terms of the Supplemental Agreement as set out above. Given that the exercise of the Put Option is not at the Company's discretion, pursuant to Rule 14.74 of the Listing Rules, the grant of the Put Option in the Sale and Purchase Agreement will be classified as if it had been exercised. For the purpose of Rule 14.76(1) of the Listing Rules, the highest possible monetary value of the Put Option is HK$53,258,883, being the maximum final repurchase price payable by the Vendor upon exercise of the Put Option, as set out in the Supplemental Agreement. As one or more of the applicable percentage ratios in respect of the grant of the Put Option exceeds 25% but is less than 75%, the grant of the Put Option constitutes a possible major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will consult with the Stock Exchange as soon as practicable if the classification will change. The Company will comply with the relevant requirements under the Listing Rules as and when appropriate should the Purchaser exercise the Put Option.

As none of the Directors has any material interest in the Disposal, none of the Directors was required to abstain from voting on the Board resolutions approving the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be obtained in lieu of convening a general meeting of Shareholders if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company having the right to attend and vote at the general meeting to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

On 30 June 2026 and 24 August 2026, the Company obtained written approval and supplemental written approval, respectively, from SFK Group, being a Shareholder interested in 300,000,000 Shares, representing 75% of the issued share capital of the Company under Rule 14.44 of the Listing Rules. Accordingly, no general meeting of Shareholders will be convened by the Company to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and would recommend the Shareholders to vote in favour of the Disposal if it had been necessary to hold a general meeting for such purpose.

ADDITIONAL INFORMATION

The attention of the Shareholders is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
SFK Construction Holdings Limited
Chan Ki Chun
Chairman

FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2023, 2024 and 2025 were disclosed in the annual reports of the Company for the years ended 31 December 2023 (pages 157 to 239), 2024 (pages 153 to 235) and 2025 (pages 177 to 251). The unaudited consolidated financial statement of the Group for the six months ended 30 June 2026 was disclosed in the interim report of the Company for the six months ended 30 June 2026 (pages 22 to 36). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sfkchl.com.hk). Please refer to the hyperlinks as stated below:

- annual report of the Company for the year ended 31 December 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0412/2024041200450.pdf)
- annual report of the Company for the year ended 31 December 2024 (https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0414/2025041400396.pdf)
- annual report of the Company for the year ended 31 December 2025 (https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0417/2026041700417.pdf)
- interim report of the Company for the six months ended 30 June 2026 (https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0903/2026090300620.pdf)

INDEBTEDNESS STATEMENT OF THE GROUP

As at the close of business on 31 July 2026, being the latest practicable date prior to the printing of this circular and for the purpose of this indebtedness statement, the Group had the following liabilities:

Borrowings

	HK$'000
Bank borrowings	605,000
Other borrowings	25,000
Unsecured	630,000
Guaranteed	605,000

Lease liabilities

As at 31 July 2026, the Group, as lessees, had lease liabilities of approximately HK$9,470,000 among which HK$6,861,000 were current and HK$2,609,000 were non-current.

Contingent liabilities

As at 31 July 2026, the Group had no material contingent liabilities.

Other liabilities

Save as disclosed above and apart from intra-group liabilities and normal trade payables, at the close of business on 31 July 2026, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities. The Directors confirmed that there had been no material change in terms of the Group's contingent liabilities and indebtedness during the period from 31 July 2026 to the Latest Practicable Date.

WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group, including the internally generated funds, available banking facilities and the effect of the Disposal, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group expects the operating environment in Hong Kong to remain competitive and challenging in the near term amid macroeconomic uncertainties and cautious market sentiment. Notwithstanding this, the Directors believe that the Hong Kong Government's continued commitment to land development and public housing supply is expected to continue to support demand for the Group's core construction and maintenance businesses.

The Group will continue to focus on its principal businesses of construction and maintenance projects in Hong Kong. As disclosed in the annual report of the Company for the FY2025, the Group remains one of the few construction companies in Hong Kong included in the List of Approved Contractors maintained by the Works Branch of Development Bureau with group C status (unlimited value) in all five public works categories, and is also one of the approved contractors eligible to tender for the Housing Authority's new works and maintenance contracts of unlimited value. The Directors believe that the Group's established market position, together with its healthy order book and ongoing project pipeline, will continue to underpin the Group's business development. As at 31 December 2025, the outstanding value of the Group's ongoing projects was approximately HK$15.9 billion, and subsequent to 31 December 2025 the Group was further awarded one civil engineering project through a joint venture with an original contract sum of approximately HK$576 million, in which the Group holds a 41% interest.

Following Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group, although the Group will retain a 49% interest in the Target Company. The Disposal is expected to enable the Group to realise a net gain of approximately HK$28,018,000 and generate net proceeds of approximately HK$43.8 million, which are intended to be applied as general working capital for the existing operations of the Group. The Directors consider that the Disposal will enhance the Group's financial flexibility and allow the Group to redeploy resources to its core businesses and other opportunities consistent with its business strategy.

Overall, the Directors remain cautiously optimistic on the future prospects of the Group. The Group will continue to build on its competitive strengths, maintain prudent financial and operational management, and pursue its long-term business objectives in a disciplined manner.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2025, being the date of which the latest published audited consolidated financial statements of the Group were made up.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF BESTWISE ENVIROTECH LIMITED TO THE DIRECTORS OF SFK CONSTRUCTION HOLDINGS LIMITED

Introduction

We report on the historical financial information of Bestwise Envirotech Limited (the "**Target Company**") set out on pages 36 to 40, which comprises the statements of financial position of the Target Company as at 31 December 2023, 2024 and 2025 and 30 June 2026 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 41 to 76 forms an integral part of this report, which has been prepared for inclusion in the circular of SFK Construction Holdings Limited (the "**Company**") dated 18 September 2026 (the "**Circular**") in connection with the proposed disposal of 51% equity interest of the Target Company by the Company.

Responsibilities of directors for the historical financial information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2(b) to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information, the directors of the Target Company are responsible for assessing the Target Company'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 Target Company or to cease operations, or have no realistic alternative but to do so.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2(b) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial positions of the Target Company as at 31 December 2023, 2024 and 2025 and 30 June 2026 and of its financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2(b) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the unaudited stub period comparative financial information of the Target Company comprising the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2026 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2(b) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2(b) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Dividends

We refer to the Historical Financial Information which states that no dividend has been paid by the Target Company in respect of the Track Record Period.

CHENG & CHENG LIMITED
Certified Public Accountants

Hong Kong, 18 September 2026

Lui Chun Yip
Practising Certificate number P07004

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2024 HK$'000	As at 31 December 2025 HK$'000	As at 30 June 2026 HK$'000
Non-current assets					
Property, plant and equipment	4	2,077	1,382	2,982	3,457
Deferred tax assets	13	17,014	15,000	12,772	12,080
		19,091	16,382	15,754	15,537
Current assets					
Contract assets	6	7,088	11,605	56,599	79,417
Trade and other receivables	7	63,126	59,941	67,149	33,015
Amounts due from fellow subsidiaries	19	106,472	104,382	164,356	965
Amounts due from the immediate holding company	19	66,000	61,200	—	—
Cash at bank and on hand	22	16,682	35,694	23,141	16,635
		259,368	272,822	311,245	130,032
Current liabilities					
Contract liabilities	6	39,267	33,719	16,600	42,411
Trade and other payables	9	70,177	74,832	98,518	46,951
Amount due to fellow subsidiaries	19	873	2,855	1,150	25,083
Lease liabilities	10	1,164	1,142	1,038	1,102
Interest-bearing borrowings	12	—	—	20,000	—
		111,481	112,548	137,306	115,547
Net current assets		147,887	160,274	173,939	14,485
Total assets less current liabilities		166,978	176,656	189,693	30,022
Non-current liabilities					
Lease liabilities	10	959	241	2,021	1,467
Net Assets		166,019	176,415	187,672	28,555
Capital and reserves					
Share capital	11	200,578	200,578	200,578	38,000
Reserves	11	(34,559)	(24,163)	(12,906)	(9,445)
		166,019	176,415	187,672	28,555

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			For the six months ended 30 June	
	Notes	**2023**	**2024**	**2025**	**2025**	**2026**
					(unaudited)	
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*14*	254,517	415,926	476,555	201,027	126,223
Cost of sales		(225,551)	(394,945)	(452,457)	(191,611)	(117,123)
Gross profit		28,966	20,981	24,098	9,416	9,100
Other income	*15*	3,197	1,850	1,197	120	36
Administrative and other operating expenses		(9,374)	(10,359)	(11,353)	(6,578)	(4,713)
Other net loss/(gain)	*15*	87	(19)	(66)	74	40
Finance costs	*16*	(69)	(43)	(391)	(14)	(310)
Profit before taxation	*17*	22,807	12,410	13,485	3,018	4,153
Income tax	*18*	(3,588)	(2,014)	(2,228)	(465)	(692)
Profit for the year/period		19,219	10,396	11,257	2,553	3,461

There was no other comprehensive income or loss during the year/period.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 January 2023	200,578	(53,778)	146,800
Profit for the year	—	19,219	19,219
Balance at 31 December 2023 and 1 January 2024	200,578	(34,559)	166,019
Profit for the year	—	10,396	10,396
Balance at 31 December 2024 and 1 January 2025	200,578	(24,163)	176,415
Profit for the year	—	11,257	11,257
Balance at 31 December 2025 and 1 January 2026	200,578	(12,906)	187,672
Profit for the period	—	3,461	3,461
Reduce of shares	(162,578)	—	(162,578)
Balance at 30 June 2026	38,000	(9,445)	28,555

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 January 2025	200,578	(24,163)	176,415
Profit for the period (unaudited)	—	2,553	2,553
Balance at 30 June 2025 (unaudited)	200,578	(21,610)	178,968

STATEMENT OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
	Notes	2023	2024	2025	2025	2026
					(unaudited)	
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities						
Profit before taxation		22,807	12,410	13,485	3,018	4,153
Adjustments for:						
Depreciation of owned assets		5	11	11	5	41
Depreciation of right-of-use assets		1,143	1,171	1,201	604	562
Interest income		(916)	(239)	(127)	(120)	(36)
Interest on bank loans		—	—	365	—	274
Interest on lease liabilities		69	43	26	14	36
Operating profit before working capital changes		23,108	13,396	14,961	3,521	5,030
Decrease/(increase) in contract assets		1,202	(4,517)	(44,994)	(32,471)	(22,818)
Decrease/(increase) in trade and other receivables		7,235	3,185	(7,208)	45,201	39,635
(Increase)/decrease in amounts due from fellow subsidiaries		(38,566)	2,090	(59,974)	(75,967)	(4,687)
(Increase)/decrease in amounts due from the immediate holding company		(5,000)	4,800	61,200	61,200	—
(Decrease)/increase in contract liabilities		(10,756)	(5,548)	(17,119)	(6,314)	25,811
Increase/(decrease) in trade and other payables		3,864	4,655	23,686	(21,577)	(51,567)
Increase/(decrease) in amount due to a fellow subsidiary		376	1,982	(1,705)	3,177	23,933

					Six months ended	
		Year ended 31 December			30 June	
	Notes	**2023**	**2024**	**2025**	**2025**	**2026**
					(unaudited)	
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash (used in)/generated from operating activities		(18,537)	20,043	(31,153)	(23,230)	15,337
Net cash from/(used in) investing activities	*20*	884	239	127	120	(1,043)
Net cash (used in)/generated from financing activities	*21*	(1,234)	(1,270)	18,473	19,350	(20,800)
(Decrease)/increase in cash and cash equivalents		(18,887)	19,012	(12,553)	(3,760)	(6,506)
Cash and cash equivalents at the beginning of the year/period		35,569	16,682	35,694	35,693	23,141
Cash and cash equivalents at the end of the year/period	*22*	16,682	35,694	23,141	31,933	16,635

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and principal place of business is at Suite 202, 2/F, Block 1, Hofai Commercial Centre, 218 Sai Lau Kok Road, Tsuen Wan, New Territories.

2. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these financial statements are set out as follows:

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the Target Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Target Company. Information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Target Company for the current and prior accounting periods are shown in note 3.

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The measurement basis used in the preparation of the financial statements is the historical cost basis. The financial statements are presented in Hong Kong Dollars and all values are rounded to the nearest dollar unless otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) JOINT VENTURES

A joint venture is an arrangement whereby the Group or the Target Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Target Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Target Company sells or contributes assets to a joint operation in which the Target Company is a joint operator, the Target Company is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the financial statements only to the extent of other parties' interests in the joint operation.

When the Target Company purchases assets from a joint operation in which the Target Company is a joint operator, the Target Company does not recognise its share of the gain and losses until it resells those assets to a third party.

(d) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the statement of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Target Company's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Receivables

A receivable is recognised when the Target Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Target Company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

Payables

Payables are initially recognised at fair value. Payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for the following properties held for own use are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

— right-of-use assets arising from leases over leasehold properties where the Target Company is not the registered owner of the property interest; and

— items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of each item of property, plant and equipment, less its estimated residual value, if any, using the straight-line method over its estimated useful life, unless otherwise indicated. The estimated useful lives of depreciation adopted, if any, are as follows:

— Properties leased for own use	Over the unexpired term of lease
— Plant and equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) LEASED ASSETS

At inception of a contract, the Target Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Target Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Target Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Target Company are primarily laptops and office furniture. When the Target Company enters into a lease in respect of a low-value asset, the Target Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Target Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Target Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Target Company presents right-of-use assets that do not meet the definition of investment property in'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(i) Credit losses from financial instruments and contract assets

The Target Company recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

— contract assets as defined in HKFRS 15;

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

In measuring ECLs, the Target Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Target Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Target Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Target Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Target Company in full, without recourse by the Target Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Target Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Target Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Target Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Target Company's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Target Company monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Target Company considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured.

As the Target Company is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets (other than properties carried at revalued amounts);

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(h) CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is recognised when the Target Company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Target Company recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Target Company recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(i) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL).

(j) EMPLOYEE BENEFITS

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(k) INCOME TAX

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities, if any. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using the prevailing tax rates, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The limited exceptions to recognition of deferred tax assets and liabilities are:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Target Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(l) PROVISIONS AND CONTINGENT LIABILITIES

(i) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Target Company is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the financial statements.

The Target Company 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 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.

(ii) Onerous contracts

An onerous contract exists when the Target Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(m) REVENUE AND OTHER INCOME

Income is classified by the Target Company as revenue when it arises from the construction contracts or the provision of services in the ordinary course of the Target Company's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Target Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Target Company's revenue and other income recognition policies are as follows:

(i) Rendering of services

Revenue arising from the provision of services is recognised when services are rendered.

(ii) Construction contract

The Target Company's construction activities under construction contracts with customers for office premises and residential buildings create or enhance real estate assets controlled by the customers.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Target Company earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

The Target Company's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. A deposit is payable upfront upon entering the contract. The Target Company also typically agrees to a one year retention period for 2.5% to 5% of the contract value which the Target Company's entitlement to this final payment is conditional on the Target Company's work satisfactorily passing inspection. To the extent that the difference in timing arises for reasons other than the provision of finance, no financing component is deemed to exist.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(n) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the accounts of the Target Company are measured by using the currency of the primary economic environment in which the Target Company operates (the functional currency). The financial statements are presented in Hong Kong Dollars ("**HK$**"), which is the functional and presentation currency.

(o) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

— an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);

— a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

— qualifying cash flow hedges to the extent that the hedges are effective.

(p) RELATED PARTIES

A related party is a person or entity that is related to the Target Company in these financial statements, as follows:

(i) A person, or a close member of that person's family, is related to the Target Company if that person:

(1) has control or joint control over the Target Company;

(2) has significant influence over the Target Company; or

(3) is a member of the key management personnel of the Target Company or the Target Company's parent.

(ii) An entity is related to the Target Company if any of the following conditions applies:

(1) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(6) The entity is controlled or jointly controlled by a person identified in note 2(p)(i).

(7) A person identified in note 2(p)(i)(1) 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).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(q) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

New and amended HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Target Company. The following developments are relevant to the financial statements of the Target Company:

* Amendments to HKAS 21, Lack of Exchangeability

The application of the amendments to HKFRSs in the current year had no material impact on the Target Company's financial positions and performance for the current and prior periods and/or on the disclosures set out in these financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use	Furniture and fixtures	Motor Vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2023	3,430	506	—	3,936
Additions	—	32	—	32
At 31 December 2023 and 1 January 2024	3,430	538	—	3,968
Additions	487	—	—	487
Disposals	(364)	—	—	(364)
At 31 December 2024 and 1 January 2025	3,553	538	—	4,091
Additions	2,812	—	—	2,812
Written off	(3,066)	—	—	(3,066)
At 31 December 2025 and 1 January 2026	3,299	538	—	3,837
Additions	—	—	1,168	1,168
Written off	—	(337)	(90)	(427)
At 30 June 2026	3,299	201	1,078	4,578

	Properties leased for own use	Furniture and fixtures	Motor Vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deduct: Accumulated depreciation				
At 1 January 2023	237	506	—	743
Charged for the year	1,143	5	—	1,148
At 31 December 2023 and 1 January 2024	1,380	511	—	1,891
Charged for the year	1,171	11	—	1,182
Eliminated on disposals	(364)	—	—	(364)
At 31 December 2024 and 1 January 2025	2,187	522	—	2,709
Charged for the year	1,201	11	—	1,212
Eliminated on written off	(3,066)	—	—	(3,066)
At 31 December 2025 and 1 January 2026	322	533	—	855
Charged for the period	562	5	36	603
Eliminated on written off	—	(337)	—	(337)
At 30 June 2026	885	201	36	1,121
Net book value				
At 30 June 2026	2,415	—	1,042	3,457
At 31 December 2025	2,977	5	—	2,982
At 31 December 2024	1,366	16	—	1,382
At 31 December 2023	2,050	27	—	2,077

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		As at 31 December			As at 30 June
	Note	**2023**	**2024**	**2025**	**2026**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Properties leased for own use	*(a)*	2,050	1,366	2,977	2,415

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of right-of-use assets by class of underlying asset:				
Properties leased for own use	1,143	1,171	1,201	562
Interest on lease liabilities	(69)	(43)	(26)	(36)

During the period from 1 January 2026 to 30 June 2026, additions to right-of-use assets were HK$2,812,000. This amount related to the capitalised lease payments payable under new tenancy agreements.

(a) Properties leased for own use

The Target Company has obtained the right to use other properties as its warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

5. INTERESTS IN JOINT VENTURES

The Target Company has established joint arrangements with fellow subsidiaries to undertake civil engineering in the form of joint operations. In accordance with the agreement, the decisions about relevant activities in these entities require unanimous consent of the parties sharing control and, therefore management has accounted for these investments as joint operations.

Details of the Target Company's interest in the joint venture, which is accounted for using the equity method in the financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Proportion of ownership interest: Target Company's effective interest	Held by the Target Company	Principal activity
Sun Fook Kong-Bestwise Joint Venture	Unincorporated	Hong Kong	33.84%	33.84%	Civil engineering
Bestwise-SFK Joint Venture	Unincorporated	Hong Kong	51%	51%	Civil engineering

6. CONTRACTS ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets				
Arising from performance under construction contracts	7,088	11,605	56,599	79,417

(b) Contract liabilities

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities				
Construction contracts — Billings in advance of performance	39,267	33,719	16,600	42,411

The Target Company's construction contracts normally include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Target Company also typically agrees to a one to two years retention period for 1% to 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Target Company's entitlement to this final payment is conditional on the Target Company's work satisfactorily passing inspection.

The contract assets primarily relate to the Target Company's right to consideration for work completed and not billed because the rights are conditional on the Target Company's future performance. The contract assets are transferred to trade receivables when the rights become unconditional. The increase in contract assets in 2026 was mainly the result of the increase in the provision of construction services during the period. All of the contract assets are expected to be recovered within one year.

The contract liabilities primarily relate to the Target Company's obligation to transfer services to customers for which the Target Company has received advanced payments from the customers and will be recognised as income within one year. The amount of revenue recognised during the period that was included in the contract liabilities as at 1 January 2023, 1 January 2024, 1 January 2025 and 1 January 2026 are HK$50,023,000, HK$39,267,000, HK$33,719,000 and HK$16,600,000 respectively. The amount of retentions receivable included in contract liabilities on a net basis for a single contract with the customer that is expected to be recovered after more than one year is HK$Nil (2025: HK$Nil). All of the other contract liabilities are expected to be recognised as income within one year.

The amount of revenue recognised during the period from performance obligations satisfied (or partially satisfied) as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 are HK$16,373,000, HK$10,987,000, HK$11,612,000 and HK$16,399,000 respectively, mainly due to the changes in estimate of the transaction price of certain construction contracts.

Movements in contract liabilities

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the year/period	50,023	39,267	33,719	16,600
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year/period	(50,023)	(39,267)	(33,719)	(16,600)
Increase in contract liabilities as a result of billing in advance of construction activities	39,267	33,719	16,600	42,411
Balance at the end of the year/period	39,267	33,719	16,600	42,411

7. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	53,978	48,253	65,895	24,514
Deposits, prepayments and other receivables	9,148	11,688	1,254	8,501
	63,126	59,941	67,149	33,015

All the trade debtors and bills receivables are expected to be recovered or recognised as expense within one year.

Trade debtors and bills receivable are due within 30–60 days from the date of billing.

8. REMUNERATION, BENEFITS AND INTERESTS OF DIRECTORS

Remuneration, benefits and interests of the Target Company's directors disclosed pursuant to section 383 of the Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	**2024**	**2025**	**2025** (unaudited)	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors' emoluments for services as a director					
Directors' fees	—	—	—	—	—
Other emoluments in respect of director's other services in connection with the management of the affairs of the Target Company or its subsidiary undertaking:					
Salaries, allowances and benefits in kind *(subnote (*))*	1,254	1,245	1,312	709	—
Employer's contribution to a retirement benefit scheme	54	55	56	28	—

Subnote:

(*) Including estimated money value of other benefits such as leave pay, share option, insurance premium and club membership.

9. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	18,721	25,895	25,568	23,592
Retentions payable	7,647	10,338	16,951	16,969
Accruals and other payables	43,809	38,599	55,999	6,390
	70,177	74,832	98,518	46,951

All the trade creditors are expected to be settled within one year.

Included in trade creditors and retentions payable of the Target Company are balances totalling HK$981,000, HK$2,270,000, HK$2,180,000 and HK$1,978,000 as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 respectively due to fellow subsidiaries. The balances are under similar terms to other suppliers.

Except for the amounts of HK$867,000, HK$8,664,000, HK$15,330,000 and HK$15,990,000 as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 respectively which are expected to be settled after one year, all of the trade and other payables are expected to be settled within one year or are repayable on demand.

10. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Target Company's lease liabilities at the end of the reporting periods:

	Minimum lease payments				**Present value of minimum lease payments**			
				As at				**As at**
	As at 31 December			**30 June**	**As at 31 December**			**30 June**
	2023	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	1,204	1,162	1,103	1,153	1,164	1,142	1,038	1,102
After 1 year but within 2 years	970	156	1,123	1,063	959	152	1,085	1,039
After 2 years but within 5 years	—	90	948	431	—	89	936	428
	2,174	1,408	3,174	2,647	2,123	1,383	3,059	2,569
Deduct: Total future interest expenses	(51)	(25)	(115)	(79)				
Present value of lease liabilities	2,123	1,383	3,059	2,568				
Deduct: Portion classified under current liabilities					(1,164)	(1,142)	(1,038)	(1,102)
Non-current portion					959	241	2,021	1,467

Total cash outflow for leases

Amounts included in the statement of cash flow for leases comprise the following:

	Year ended 31 December			**Six months ended 30 June**	
	2023	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within operating cash flows	—	1,437	—	—	—
Within financing cash flows	1,234	1,270	1,162	650	526
	1,234	2,707	1,162	650	526

These amounts relate to the following:

	Year ended 31 December			Six months ended 30 June	
	2023	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expense relating to short-term leases	—	1,437	—	—	—
Capital element of lease rentals paid	1,165	1,227	1,136	636	490
Interest element of lease rentals paid	69	43	26	14	36
	1,234	2,707	1,162	650	526

11. CAPITAL AND RESERVES

Share Capital

	Six months ended 30 June 2026		Year ended 31 December 2025	
	No. of shares	**HK$**	**No. of shares**	**HK$**
	'000	*'000*	*'000*	*'000*
Ordinary shares, issued and fully paid				
At the beginning of the year/period	200,578	200,578	200,578	200,578
Reduce of shares	(162,578)	(162,578)	—	—
At the end of the year/period	38,000	38,000	200,578	200,578

	Year ended 31 December 2024		Year ended 31 December 2023	
	No. of shares	**HK$**	**No. of shares**	**HK$**
	'000	*'000*	*'000*	*'000*
Ordinary shares, issued and fully paid				
At the beginning of the year and at the end of the year	200,578	200,578	200,578	200,578

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Target Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Target Company. All ordinary shares rank equally with regard to the Target Company's residual assets.

Reserves

Details of movements in reserves during the period are referred to in the statement of changes in equity. The nature and purpose of reserves within equity are as follows:

Accumulated losses

Accumulated losses are the cumulative net losses of the Target Company sustained in the business.

12. INTEREST-BEARING BORROWINGS

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured short-term bank loans	—	—	20,000	—

13. DEFERRED TAX

The major deferred tax assets and liabilities recognised by the Target Company and movements thereon during the current and prior years, are as follows:

	Tax losses
	HK$'000
At 1 January 2023	20,602
Charged to profit or loss	(3,588)
At 31 December 2023 and 1 January 2024	17,014
Charged to profit or loss	(2,014)
At 31 December 2024 and 1 January 2025	15,000
Charged to profit or loss	(2,228)
At 31 December 2025 and 1 January 2026	12,772
Charged to profit or loss	(692)
At 30 June 2026	12,080

14. REVENUE

The Target Company is principally engaged in undertaking electrical and mechanical engineering works and providing for maintenance services for mechanical engineering projects and systems. An analysis of revenue of the Target Company is as follows:

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by major service lines					
Contract revenue	115,623	235,644	302,902	160,373	98,579
Rendering of services	138,894	180,282	173,653	40,654	27,644
	254,517	415,926	476,555	201,027	126,223

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Target Company's existing contracts are HK$958,455,000, HK$403,667,000, HK$426,822,000 and HK$564,003,000 respectively. This amount represents revenue expected to be recognised in the future from existing contracts. This amount includes the interest component of pre-completion properties sales contracts under which the Target Company obtains significant financing benefits from the customers (see note 3(ii)). The Target Company will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are assigned to the customers, which is expected to occur over the next 18 months as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026.

15. OTHER INCOME AND OTHER NET LOSS/(GAIN)

	Year ended 31 December			Six months ended 30 June	
	2023	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other income					
Interest income	916	239	127	120	36
Sundry income	2,281	1,611	1,070	—	—
	3,197	1,850	1,197	120	36
Other net loss/(gain)					
Exchange loss	87	(19)	(66)	74	40

16. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2023	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank loans	—	—	365	—	274
Interest on lease liabilities	69	43	26	14	36
	69	43	391	14	310

17. PROFIT BEFORE TAXATION

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation is stated after charging/(crediting):					
Auditor's remuneration	30	30	30	15	—
Depreciation of owned assets	5	11	11	5	5
Depreciation of right-of-use assets	1,143	1,171	1,201	604	561
Employee benefits:					
Salaries, wages and other benefits	59,906	59,366	67,460	34,405	26,333
Provident fund expenses under defined contribution retirement plan	1,809	1,758	1,890	1,003	674
Less: Amount included in direct costs	(55,026)	(54,189)	(62,232)	(31,687)	(23,587)
Total employee benefits expenses	6,689	6,935	7,118	3,721	3,420

18. INCOME TAX

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax					
Origination and reversal of temporary differences	3,588	2,014	2,228	465	692

No provision for Hong Kong Profits Tax has been made as the current period's taxable profits has been set-off by previous year's loss as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026.

The tax expense for the year/period can be reconciled to the results per the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	22,807	12,410	13,485	3,018	4,153
Notional tax at the domestic income tax rate of 16.5% (2025: 16.5%)	3,763	2,048	2,225	498	685
Tax effect of non-taxable revenue	(151)	(39)	(8)	(32)	(13)
Tax effect of non-deductible expenses	—	3	11	1	1
Tax effect of unrecognised temporary differences	(24)	2	—	(2)	19
Income tax expense for the year/period	3,588	2,014	2,228	465	692

19. RELATED PARTY DISCLOSURES

During the year/period, the Target Company had the following significant related party's transactions and balances:

(a) Financing arrangements

		Owed to/(by) the Target Company by/(to) related parties			
		As at 31 December			As at 30 June
	Notes	**2023**	**2024**	**2025**	**2026**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from fellow subsidiaries	*(i), (ii)*	106,472	104,382	164,356	965
Amounts due from immediate holding companies	*(i), (ii)*	66,000	61,200	—	—
Amount due to a fellow subsidiary	*(i), (iii)*	(873)	(2,855)	(1,150)	(25,083)

(i) The outstanding balances with these related parties were unsecured, interest free and had no fixed repayment terms.

(ii) No provisions for bad or doubtful debts had been made in respect of these loans.

(iii) The amounts due to a fellow subsidiary of approximately HK$25.1 million as at 30 June 2026 included the shareholder's loan of HK$20 million referred to in the condition precedent (i) of the Sale and Purchase Agreement.

(b) Other related party transactions

		Year ended 31 December			Six months ended 30 June	
	Notes	**2023**	**2024**	**2025**	**2025**	**2026**
					(unaudited)	
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract costs from a fellow subsidiary	*(i)*	2,337	7,452	4,697	2,703	178
Safety service fee to a fellow subsidiary	*(ii)*	1,352	261	143	143	—
Motor vehicle hiring charges and related repairs and maintenance costs from a fellow subsidiary	*(iii)*	—	2,507	1,683	872	600
Project management information system fee from a fellow subsidiary	*(iv)*	732	947	890	445	12

(i) During the year/period ended 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the Target Company paid contract costs to Sun Fook Kong (Civil) Limited, a fellow subsidiary of the Target Company.

(ii) During the year/period ended 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the Target Company paid safety service fee to Sun Fook Kong Construction Management Limited, a fellow subsidiary of the Target Company.

(iii) During the year/period ended 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the Target Company paid motor vehicle hiring charges and related repairs and maintenance costs to Sun Fook Kong E&M Management Limited, a fellow subsidiary of the Target Company.

(iv) During the year/period ended 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the Target Company paid project management information system fee to Build.IT Limited, a fellow subsidiary of the Target Company.

20. INVESTING ACTIVITIES

	Year ended 31 December			Six months ended 30 June	
	2023	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Purchase of property, plant and equipment	(32)	—	—	—	(1,168)
Proceeds from disposal of property, plant and equipment	—	—	—	—	90
Interest received	916	239	127	120	36
Net cash from/(used in) investing activities	884	239	127	120	(1,042)

21. FINANCING ACTIVITIES

	Year ended 31 December			Six months ended 30 June	
	2023	**2024**	**2025**	**2025**	**2026**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repayment of lease liabilities	(1,234)	(1,270)	(1,162)	(636)	(490)
Advance from bank loans	—	—	20,000	20,000	(20,000)
Interest paid for bank loans	—	—	(365)	(14)	(310)
Net cash from/(used in) financing activities	(1,234)	(1,270)	18,473	19,350	(20,800)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Company's liabilities from financing activity, including both cash and non-cash changes. Liabilities arising from financing activity are liabilities for which cash flows were, or future cash flows will be, classified in the Target Company's cash flow statement as cash flows from financing activity.

	Lease liabilities
	HK$'000
At 1 January 2026	3,059
Changes from financing cash flows:	
Capital element of lease rentals paid	(490)
Interest expenses	(36)
Total changes from financing cash flows	(526)
Other changes:	
Interest expenses	36
Total other changes	36
At 30 June 2026	2,569

	Interest-bearing borrowings	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2025	—	1,383	1,383
Changes from financing cash flows:			
Capital element of lease rentals paid	—	(1,136)	(1,136)
Interest expenses	(365)	(26)	(391)
Proceeds from bank loans	20,000	—	20,000
Total changes from financing cash flows	19,635	(1,162)	18,473
Other changes:			
Increase in lease liabilities from entering into new leases during the year	—	2,812	2,812
Interest expenses	365	26	391
Total other changes	365	2,838	3,203
At 31 December 2025	20,000	3,059	23,059

	Lease liabilities
	HK$'000
At 1 January 2025	1,383
Changes from financing cash flows:	
Capital element of lease rentals paid	(636)
Interest expenses	(14)
Total changes from financing cash flows	(650)
Other changes:	
Increase in lease liabilities from entering into new leases during the year	2,819
Interest expenses	14
Total other changes	2,833
At 30 June 2025	3,566

	Lease liabilities
	HK$'000
At 1 January 2024	2,123
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,227)
Interest element of lease rentals paid	(43)
Total changes from financing cash flows	(1,270)
Other changes:	
Increase in lease liabilities from entering into new leases during the year	487
Interest on lease liabilities	43
Total other changes	530
At 31 December 2024	1,383

	Lease liabilities
	HK$'000
At 1 January 2023	3,288
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,165)
Interest element of lease rentals paid	(69)
Total changes from financing cash flows	(1,234)
Other changes:	
Interest on lease liabilities	69
Total other changes	69
At 31 December 2023	2,123

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following items in the statement of financial position:

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	16,682	35,694	23,141	16,635

23. BANKING FACILITIES AND PLEDGE OF ASSETS

The Target Company's bank loan facility is secured by a corporate guarantee provided by SFK Construction Holdings Limited, an intermediate holding company of the Target Company, and security deed for all account receivables related to such project in favour of the bank in connection with the bank loan facility granted to the Target Company amounting to HK$80,000,000 as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026.

As at 30 June 2026, no amount was drawn down or outstanding under the bank loan facility. The corporate guarantee provided by SFK Construction Holdings Limited in respect of the bank loan facility will be discharged in full on or before the Completion.

24. CAPITAL MANAGEMENT

Capital comprises of share capital and reserves stated on the statement of financial position. The Target Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Target Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

The Target Company's operation is primarily sourced from the business income, and other finances sourced from the following which except otherwise indicated are interest free and have no fixed repayment terms:

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Amount due to a fellow subsidiary	873	2,855	1,150	25,083

The Target Company is not subject to externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 June
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Amortised cost	256,894	272,207	311,086	128,796
Financial liabilities				
Amortised cost	67,672	111,406	136,268	114,445

(b) Financial risk management

Exposure to credit risk, liquidity risk, interest rate risk, currency risk arises in the normal course of the Target Company's business. The Target Company is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Target Company's exposure to these risks and the financial risk management policies and practices used by the Target Company to manage these risks are described below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Company. The Target Company's credit risk is primarily attributable to trade receivables and contract assets. The Target Company's exposure to credit risk arising from cash and cash equivalents are limited because the counterparties are banks and financial institutions with a minimum credit rating for which the Target Company considers to have low credit risk and the Target Company has exposure limit to any singe financial institution.

The Target Company does not provide any guarantees which would expose the Target Company to credit risk. The maximum exposure to credit risk is represented by carrying amount of each financial asset in the statement of financial position.

Trade receivables and contract assets

The Target Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target Company has significant exposure to individual customers. As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, 58%, 57%, 57% and 66% respectively of the total trade receivables and 84%, 88%. 88% and 95% respectively of the total contract assets were due from the Target Company's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Normally, the Target Company does not obtain collateral from customers.

The Target Company measures loss allowances for contract assets at an amount equal to lifetime ECLs. Given the customers of the Target Company are mainly reputable companies and the Government of the HKSAR and its related organisations and institution bodies and the Target Company has not experienced any significant credit losses in the past, management considered that the exposure to credit risk is insignificant. The company assessed the expected credit loss rate on contract assets is below 1%.

Liquidity risk

The Target Company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Target Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Six months ended 30 June 2026				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	23,592	—	—	23,592	23,592
Retention payable	979	15,990	—	16,969	16,969
Accruals and other payables	6,390	—	—	6,390	6,390
Amounts due to fellow subsidiaries	25,083	—	—	25,083	25,083
Lease liabilities	1,153	1,063	431	2,647	2,569
	57,197	17,053	431	74,681	74,603

	Year ended 31 December 2025 Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	25,568	—	—	25,568	25,568
Retention payable	1,018	15,933	—	16,951	16,951
Accruals and other payables	55,999	—	—	55,999	55,999
Amounts due to fellow subsidiaries	1,150	—	—	1,150	1,150
Interest-bearing borrowings	20,041	—	—	20,041	20,000
Lease liabilities	1,103	1,123	948	3,174	3,059
	84,838	17,056	948	102,842	102,727

	Six months ended 30 June 2025 Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	27,550	—	—	27,550	27,550
Retention payable	1,676	14,972	—	16,648	16,648
Accruals and other payables	9,057	—	—	9,057	9,057
Amounts due to fellow subsidiaries	6,032	—	—	6,032	6,032
Lease liabilities	608	120	30	758	748
	44,923	15,092	30	60,045	60,035

	Year ended 31 December 2024 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	25,895	—	—	25,895	25,895
Retention payable	1,674	8,664	—	10,338	10,338
Accruals and other payables	38,599	—	—	38,599	38,599
Amounts due to fellow subsidiaries	2,855	—	—	2,855	2,855
Lease liabilities	1,162	156	90	1,408	1,383
	70,185	8,820	90	79,095	79,070

	Year ended 31 December 2023 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	18,721	—	—	18,721	18,721
Retention payable	4,320	3,328	—	7,647	7,647
Accruals and other payables	43,809	—	—	43,809	43,809
Amounts due to fellow subsidiaries	873	—	—	873	873
Lease liabilities	1,204	970	—	2,174	2,123
	68,927	4,298	—	73,224	73,173

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the end of the reporting period, the Target Company does not hold any financial assets or liabilities which are exposed to significant interest rate risk.

Currency risk

The Target Company's functional currency is Hong Kong Dollars. The Target Company is exposed to currency risk primarily from cash balances and trade and other payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars.

As United States dollars is pegged to Hong Kong dollars, the Target Company does not expect any significant movements in United States dollars/Hong Kong dollars exchange rate. The Target Company is not exposed to significant currency risk.

26. ACCOUNTING JUDGMENTS AND ESTIMATES

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 disclosed below:

(i) Revenue recognition

Revenue from construction contracts are recognised over time using the output method. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date.

Based on the Target Company's recent experience and the nature of the construction activities undertaken by the Target Company, the Target Company has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the Target Company might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

27. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2026

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and a new standard which may be relevant to the Target Company but are not yet effective for the period from 1 January 2023 to 30 June 2026 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendment to HKAS 21, Translation a Hyperinflationary Presentation Currency	1 January 2027
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Target Company is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Company's results of operations and financial position.

28. EVENTS AFTER THE REPORTING PERIOD

The directors of the Target Company are not aware of any significant events after the reporting period for the Target Company and up to the date of this report.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2026.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of (i) the disposal of 51% of the issued shares in Bestwise Envirotech Limited (the "**Target Company**") by the Group to Guangdong Water Holdings Limited (the "**Purchaser**") (the "**Disposal**") and (ii) the grant of Put Option to the Purchaser (hereinafter collectively referred to as the "**Transactions**"), as if the Transactions had been taken place on 30 June 2026.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on the unaudited consolidated balance sheet of the Group as at 30 June 2026 as set out in the published interim report of the Company for the six months ended 30 June 2026, the audited statement of assets and liabilities of the Target Company as at 30 June 2026, and the unaudited pro forma adjustments prepared to reflect the effects of the Transactions as described in the accompanying notes.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the balance sheet of the Group had the Transactions been completed as of specific date or at any future dates.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2025 and in the published interim report of the Group for the six months ended 30 June 2026.

Unaudited Pro Forma Financial Information of the Group

	Unaudited consolidated balance sheet of the Group as at 30 June 2026	Audited statement of assets and liabilities of the Disposal Group as at 30 June 2026	Pro forma adjustment			Unaudited Pro forma consolidated balance sheet of the Group as at 30 June 2026	Pro forma adjustment assuming the Put Option were exercised immediately at the grant date	Unaudited Pro forma consolidated balance sheet of the Group assuming the Put Option were exercised immediately at the grant date
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*		*(Note 6)*	*(Note 7)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets								
Property, plant and equipment	23,019	(3,457)	—	—	—	19,562	3,457	23,019
Deferred tax assets	19,539	(12,080)	—	—	—	7,459	12,080	19,539
Investments in associate	—	—	—	13,992	—	13,992	(13,992)	—
Goodwill	1,209	—	(1,209)	—	—	—	38,696	38,696
Total non-current assets	43,767	(15,537)	(1,209)	13,992	—	41,013	40,241	81,254
Current assets								
Contract assets	1,435,707	(79,417)	—	—	—	1,356,290	79,417	1,435,707
Trade receivables, other receivables and prepayments	365,842	(33,014)	14,390	—	20,000	367,218	(1,376)	365,842
Amounts due from fellow subsidiaries	—	(965)	—	—	965	—	—	—
Current tax recoverable	403	—	—	—	—	403	—	403
Cash and cash equivalents	286,276	(16,635)	30,000	—	3,918	303,559	(26,352)	277,207
Total current assets	2,088,228	(130,031)	44,390	—	24,883	2,027,470	51,689	2,079,159
Current liabilities								
Contract liabilities	199,937	(42,411)	—	—	—	157,526	42,411	199,937
Trade and other payables	909,183	(46,951)	—	—	—	862,232	46,951	909,183
Bank loans	630,000	—	—	—	—	630,000	—	630,000
Amounts due to fellow subsidiaries	—	(25,083)	—	—	25,083	—	—	—
Lease liabilities	6,991	(1,102)	—	—	—	5,889	1,102	6,991
Current tax payable	2,489	—	—	—	—	2,489	—	2,489
Total current liabilities	1,748,600	(115,547)	—	—	25,083	1,658,136	90,464	1,748,600

	Unaudited consolidated balance sheet of the Group as at 30 June 2026	Audited statement of assets and liabilities of the Disposal Group as at 30 June 2026	Pro forma adjustment			Unaudited Pro forma consolidated balance sheet of the Group as at 30 June 2026	Pro forma adjustment assuming the Put Option were exercised immediately at the grant date	Unaudited Pro forma consolidated balance sheet of the Group assuming the Put Option were exercised immediately at the grant date
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*		*(Note 6)*	*(Note 7)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net current assets	339,628	(14,484)	44,390	—	(600)	368,934	(38,775)	330,159
Total assets less current liabilities	383,395	(30,021)	43,181	13,992	(600)	409,947	1,466	411,413
Non-current liabilities								
Lease liabilities	3,059	(1,466)	—	—	—	1,593	1,466	3,059
Deferred tax liabilities	1,497	—	—	—	—	1,497	—	1,497
Total non-current liabilities	4,556	(1,466)	—	—	—	3,090	1,466	4,556
NET ASSETS	378,839	(28,555)	43,181	13,992	(600)	406,857	—	406,857
CAPITAL AND RESERVES								
Share capital	40,000	—	—	—	—	40,000	—	40,000
Reserves	338,745	(28,555)	43,181	13,992	(600)	366,763	—	366,763
Total equity attributable to equity shareholders of the Company	378,745	(28,555)	43,181	13,992	(600)	406,763	—	406,763
Non-controlling interests	94	—	—	—	—	94	—	94
TOTAL EQUITY	378,839	(28,555)	43,181	13,992	(600)	406,857	—	406,857

2. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2026 as set out in the interim results announcement of the Company for the six months ended 30 June 2026 published on 25 August 2026.

   The unaudited pro forma financial information has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Disposal been completed as at 30 June 2026 or at any future date.

2. The amounts represent the audited statement of financial position of the Target Company as at 30 June 2026 as extracted from the accountants' report on the financial information of the Target Company set out in Appendix II to this circular. The assets and liabilities of the Target Company have been included in the unaudited pro forma financial information solely for the purpose of illustrating the effect of the Disposal. No adjustments have been made to the assets and liabilities of the Disposal Group other than those specifically described in Notes 3 to 6 below.

3. The adjustment represents the completion of the Disposal and the deconsolidation of the assets and liabilities of the Target Company from the Group. The adjustment also reflects (i) the receipt of the first and second instalments of the Consideration amounting to HK$30,000,000 and (ii) the recognition of the Remaining Consideration of HK$14,390,000 as receivables.

   For the purpose of the Unaudited Pro Forma Financial Information, the resulting adjustment arising from the Disposal has been recognised in reserves. The adjustment has been determined with reference to the Consideration, the carrying amounts of the assets and liabilities of the Target Company, the goodwill attributable to the Target Company and other relevant assumptions adopted in preparing the Unaudited Pro Forma Financial Information.

   The actual financial effect of the disposal to be recognised upon Completion may differ from the amount presented herein and will be subject to, among other matters, the fair value of the retained interest, the carrying amounts of the net assets of the Target Company and other relevant adjustments prevailing at the Completion Date.

4. Upon Completion of the Disposal, the Group will retain a 49% equity interest in the Target Company and cease to have control over the Target Company. Accordingly, the retained interest will be recognised as an investment in an associate and accounted for using the equity method in accordance with HKAS 28 Investments in Associates and Joint Ventures.

   For the purpose of the Unaudited Pro Forma Financial Information, an investment in associate of approximately HK$13,992,000 has been recognised. Such amount is determined with reference to the illustrative gain on disposal calculation disclosed in the Letter from the Board, which attributes an equity value of approximately HK$42,650,000 to the retained 49% equity interest in the Target Company and a provision for diminution in value of approximately HK$28,658,000 in respect of such retained interest. Accordingly, the resulting value of the retained interest amounts to approximately HK$13,992,000.

   The actual amount to be recognised upon Completion may differ from the amount presented herein and will be subject to, among other matters, the valuation of the retained interest and other relevant adjustments prevailing at the Completion Date.

5. Pursuant to the Sale and Purchase Agreement, certain arrangements are required to be completed prior to Completion, including the settlement of intercompany balances between the Target Company and other members of the Group and the provision of an interest-free shareholder's loan of HK$20,000,000 by the Vendor to the Target Company. For the purpose of the Unaudited Pro Forma Financial Information, adjustments have been made to reflect the effects of such arrangements, together with estimated transaction costs of approximately HK$600,000 directly attributable to the Disposal, as if they had occurred immediately prior to Completion.

6. The adjustment represents the assumed exercise of the Put Option immediately at the grant date and the corresponding acquisition by the Group of the remaining 51% equity interest in the Target Company. For the purpose of the Unaudited Pro Forma Financial Information, the Put Option has been assumed to be exercised at a consideration of approximately HK$53,258,883, being the maximum repurchase payment payable by the Vendor pursuant to the Supplemental Agreement dated 24 August 2026. Accordingly, the financial effects arising from the assumed exercise of the Put Option have been reflected as if the Put Option had been exercised immediately at the grant date. The adjustment includes (i) derecognition of the investment in associate recognised pursuant to Note 4 and (ii) recognition of goodwill arising from the acquisition of the remaining 51% equity interest in the Target Company. In the absence of a purchase price allocation exercise, the excess of the assumed consideration over the carrying value of the identifiable net assets acquired has been recognised as goodwill for the purpose of the Unaudited Pro

Forma Financial Information. The actual consideration payable upon exercise of the Put Option and the resulting financial effects may differ from those presented herein and will depend on the facts and circumstances prevailing at the date of exercise of the Put Option.

The adjustment of approximately HK$26,352,000 represents the net cash outflow arising from the assumed exercise of the Put Option. The amount has been determined with reference to the maximum repurchase payment of HK$53,259,000 payable pursuant to the Supplemental Agreement, after considering the financial effects of the Disposal reflected in Notes 2 to 5, including the Consideration received and receivable, the cash and cash equivalents of the Target Company derecognised upon Completion and the pre-completion arrangements contemplated under the Sale and Purchase Agreement.

The net cash inflow of approximately HK$26,352,000 comprised the consideration refund of HK$30,000,000, the Target Company's cash and cash equivalents of approximately HK$16,635,000, and the consideration received of approximately HK$44,390,000. This was offset by the decrease in Target Company's cash and cash equivalents immediately before disposal of approximately HK$4,100,000, which represented the settlement of the current account with Group, and the consideration paid to the Purchaser of approximately HK$53,259,000.

The approximately HK$1,400,000 net cash outflow relating to trade receivables, other receivables and repayments arose from the assumed exercise of the Put Option, which reversed the effects of Notes 2 to 5.

	HK$'000
Investments in associate	13,992
Add: Consideration	53,259
Less: NAV of Target Company	(28,555)
Goodwill	38,696

7. Apart from the adjustments described above, no adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2026.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of SFK Construction Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SFK Construction Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding Bestwise Envirotech Limited (the "**Target Company**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 30 June 2026 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages 77 to 85 of the Company's circular dated 18 September 2026 (the "**Circular**"), in connection with the proposed disposal of the Target Company and the grant of put option to Guangdong Water Holdings Limited (the "**Purchaser**") (the "**Transactions**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 77 to 85 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transactions on the Group's financial position as at 30 June 2026 as if the Transactions had taken place at 30 June 2026. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2026, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 30 June 2026 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Cheng & Cheng Limited
Certified Public Accountants
Hong Kong, 18 September 2026

*The following management discussion and analysis is based on the financial information included in the accountants' report on Target Company as set out in Appendix II to this circular for the three years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026 (the "**Track Record Period**").*

Segment

The Target Company has only one operating segment which is principally engaged in electrical and mechanical engineering and providing for maintenance services for mechanical engineering projects and system.

Revenue

During the Track Record Period, Revenue generated for the year end 2023, 2024 and 2025 are HK$254.52 million, HK$415.93 million, HK$476.56 million respectively and HK$126.22 million for the half year ending 30 June 2026. A major project awarded before the Track Record Period is in its initial stage of design and approval in 2023, revenue from the project increased during its construction stage in 2024 and 2025.

Results

As a result, the Target Company recognized profit of HK$19.22 million, HK$10.40 million, HK$11.26 million and HK$3.46 million for the three years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026.

Capital structure, liquidity and financial resources

As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Target Company's total liabilities to total assets ratio were approximately 40.4%, 39.0%, 42.6% and 80.4% respectively.

During the Track Record Period, the Target Company mainly financed its operations by cash flow from operation and share capital.

Operating cashflow

During the Track Record Period, operating cashflow for 2023, 2024 and 2025 are respectively HK$18.54 million outflow, HK$20.04 million inflow, HK$31.15 million outflow, and HK$15.34 million inflow for the half year period ending 30 June 2026. The increase in cash outflow in 2025 is caused by the increase in contract assets of which a major project approaching its completion and increased amount of workdone pending client's confirmation and payment.

Bank balances and cash and capital structure

The Target Company has a bank balances and cash of HK$16.68 million, HK$35.69 million, HK$23.14 million and HK$16.64 million for the three years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026. The funding policy of the Target Company is to finance the business operations with internally net generated cash and bank facilities.

Borrowings and charges on assets

As at 31 December 2023 and 2024 and 30 June 2026, the Target Company has not a bank loan. As at 31 December 2025, the Target Company has a bank loan of HK$20.00 million.

The Target Company did not have any charges on the Target Company assets as at 31 December 2023, 2024 and 2025 and 30 June 2026.

Lease liabilities

The Target Company has a lease liabilities of HK$2.12 million, HK$1.38 million, HK$3.06 million and HK$2.57 million as at 31 December 2023, 2024 and 2025 and 30 June 2026.

Capital commitment

As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Target Company did not have any capital commitment.

Contingent liabilities

As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Target Company did not have any contingent liabilities.

Exposure to fluctuation in exchange rates

During the Track Record Period, the Target Company had no significant exposure to foreign exchange fluctuation.

Employees and remuneration policies

As of 31 December 2023, 2024 and 2025 and 30 June 2026, the total number of employees of the Target Company were 161, 185, 185 and 76 respectively.

Significant investments, material acquisitions and disposals

The Target Company did not have any significant investments or material acquisitions or disposals of subsidiaries and associated companies during the Track Record Period.

Prospects

With strong support from the Government for the development of several large-scale projects, such as the San Tin Technopole, the Kau Yi Chau Artificial Islands, and the Northern Metropolis, the demand for the design, supply, and installation of E&M works is expected to remain steady and healthy in the coming years.

The following is the text of a valuation report, prepared for the purpose of incorporation in this document received from Valtech Valuation Advisory Limited, an independent valuer, in connection with its valuation of the Target Company.

18 September 2026

Board of Directors
SFK Construction Holdings Limited
7/F., High Fashion Centre,
1–11 Kwai Hei Street,
Kwai Chung, New Territories, Hong Kong

Dear Sir/Madam,

Valuation of the 51% Equity Interest in Bestwise Envirotech Limited

In accordance with the instructions from SFK Construction Holdings Limited (the "**Company**"), we have been engaged by the Company to assist in determining the following subject of valuation as at 31 December 2025 (the "**Valuation Date**").

- Market Value of the 51% equity interest in Bestwise Envirotech Limited (the "**Target Company**") as at the Valuation Date for the purpose of the Company's transaction reference.

Our analyses are substantially based on the information provided to us by the existing management of the Company (the "**Management**"). It is our understanding that our analyses, and the subsequent appraised estimation of Market Value (as defined in the section of Standard and Basis of Value), will be used by the Management solely for its transaction reference purpose only. Our analyses were conducted for the above stated purpose. As such, this report should not be used by the Company for any other purposes other than those that are expressly stated herein without our expressed prior written consent.

Our work was subject to the Statement of Limiting Conditions as described at the end of this report. The basis of value follows the definition of Market Value as stipulated in International Valuation Standards ("**IVS**"), premised on the Target Company being a "Highest and Best Use" basis.

The approaches and methodologies used in our work did not comprise an examination to ascertain whether the Target Company's presented financial information was constructed in accordance with generally accepted accounting principles. The objective of the aforesaid examination is to determine whether existing current financial statements or other financial information, historical or prospective, which are provided to us by the Management, are being expressed as a fair presentation of the Target Company's financial condition. As such, we express no opinion and accept no responsibility on the accuracy and/or completeness of the historical and projected financial information of the Target Company, and of the marketing materials or other data provided to us by the Management.

Our conclusion on Market Value does not constitute nor shall it be construed to be an investment advice or an offer to invest. Prior to making any decisions on any investments, a prospective investor should independently consult with their own investment, accounting, legal and tax advisers to critically evaluate the risks, consequences, and suitability of such investment.

SCOPE AND PURPOSE OF ENGAGEMENT

We were engaged by the Management to assist in determining the Market Value of the 51% equity interest in the Target Company as at the Valuation Date. It is our understanding that our analysis will be used by the Management solely for their purpose of transaction reference.

In conducting this valuation exercise, we have performed procedures including, but not limited to, the following:

- Coordinated with the Management and/or the Company's representatives to obtain information and documents considered relevant to the valuation;
- Reviewed the financial information, management accounts, business information and other relevant documents of the Target Company made available to us;
- Discussed with the Management to understand the business nature, operating history, financial performance, business model, operations and other relevant background of the Target Company;
- Considered the information provided by the Management and the bases and assumptions adopted in arriving at our valuation conclusion;
- Carried out market research and reviewed relevant market data, industry information and capital market information from public sources and recognised financial databases, including Bloomberg Terminal, where applicable;
- Selected and applied an appropriate valuation approach and methodology to analyse the relevant financial and market data and derive the Market Value of the 51% equity interest in the Target Company as at the Valuation Date; and
- Prepared this valuation report, which sets out, among other matters, the scope and purpose of engagement, sources of information, valuation methodology, key assumptions, limiting conditions and conclusion of value.

STANDARD AND BASIS OF VALUE

This valuation was prepared on the basis of Market Value. In accordance with the IVS, Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject, i.e., a business, in a manner which would generate the greatest return to the owner, taking into account what is physically tangible, financially feasible, and legally permissible. Premise of value includes the following scenarios:

Highest and Best Use: is the use that would produce the highest and best use for an asset, and it must be financially feasible, legally allowed and result in the highest value;

Current Use/Existing Use: is the current way an asset, liability, or group of assets and/or liabilities is used, may not necessarily be the highest and best use;

Orderly Liquidation: describes the value of a group of assets that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser/(s), with the seller being compelled to sell on an as-is, where-is basis; and

Forced Sale: is in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence.

After having reviewed all background and financial information and taken into consideration all relevant facts, valuation of the Target Company should be prepared on a "Highest and Best Use" basis.

LEVEL OF VALUE

Current valuation theories suggest that there are at least four basic "levels" of value applicable to a business or business interest. The four most common levels of value are as follows:

Controlling Interest:	Value of the controlling interest, always evaluate an enterprise as a whole;
Non-controlling Interest:	Value of the non-controlling interest of a business;
As if Freely Tradable Minority Interest:	Value of a minority interest, lacking control, but enjoys the benefit of market liquidity; and
Non-marketable Interest:	Value of a business or business interest that lacks market liquidity.

After having reviewed all background and financial information and taken into consideration all relevant and objective facts, we reasonably believe the Target Company should be prudently valued and reported in this valuation as a Controlling Interest and Non-marketable Interest.

SOURCES OF INFORMATION

Our analysis and conclusion of opinion on value were based on continued discussions with, and having obtained pertinent key documents and records provided by the Management, and we conducted certain procedures including but not limited to:

- Obtained the audited financial statements of the Target Company for the financial years ended 31 December 2023, 31 December 2024 and 31 December 2025, and for the six-month period ended 30 June 2026;
- Obtained the financial forecast of the Target Company for the period from 1 January 2026 to 31 December 2032;
- Obtained the sale and purchase agreement dated 30 June 2026 in relation to the disposal of the Target Company; and
- Obtained the supplemental sale and purchase agreement dated 24 August 2026 in relation to the disposal of the Target Company.

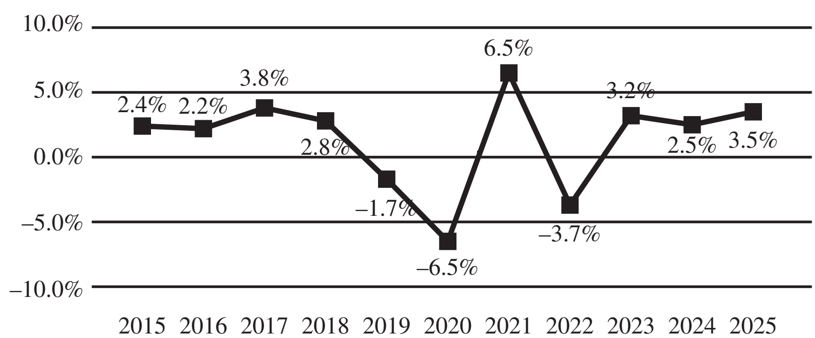
We have also relied upon publicly available capital market information, including data obtained from the Bloomberg Terminal, industry reports, news articles, public filings and other publicly available databases.

ECONOMIC OVERVIEW

To support the economic background of the jurisdiction in which the Target Company primarily operates, we have reviewed the economic conditions in Hong Kong, being the principal market from which the Target Company is expected to derive its future income.

The Hong Kong economy expanded by 3.5% in real terms in 2025, following growth of 2.5% in 2024. Growth in 2025 was supported by strong external trade, a recovery in private consumption and faster growth in overall investment. Total exports of goods and services increased in real terms by 12.0% and 6.3%, respectively, while gross domestic fixed capital formation grew by 4.3%. Building and construction expenditure, however, decreased by 9.4% in real terms, indicating that conditions in the broader construction market remained uneven. The HKSAR Government forecast real GDP growth of 2.5% to 3.5% for 2026, while noting continued uncertainty in the external environment.

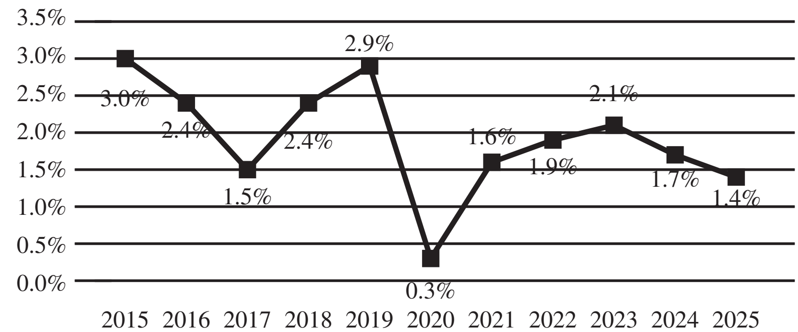
Real GDP growth rate in Hong Kong from 2015 to 2025



Source: Census and Statistics Department, HKSAR Government, 2025 Economic Background and 2026 Prospects (https://www.hkeconomy.gov.hk/en/pdf/25q4_outlook.pdf).

Consumer price inflation in Hong Kong remained modest in 2025. The headline Composite Consumer Price Index increased by 1.4% for the year, while underlying Composite CPI inflation, after netting out the effects of the Government's one-off relief measures, was 1.1%. The HKSAR Government expected inflation to remain contained, forecasting underlying and headline Composite CPI inflation of 1.7% and 1.8%, respectively, for 2026. Moderate inflation helps limit broad-based cost escalation, although project margins may still be affected by movements in specialist labour, imported equipment, subcontracting and material costs.

Composite CPI inflation rate in Hong Kong from 2015 to 2025

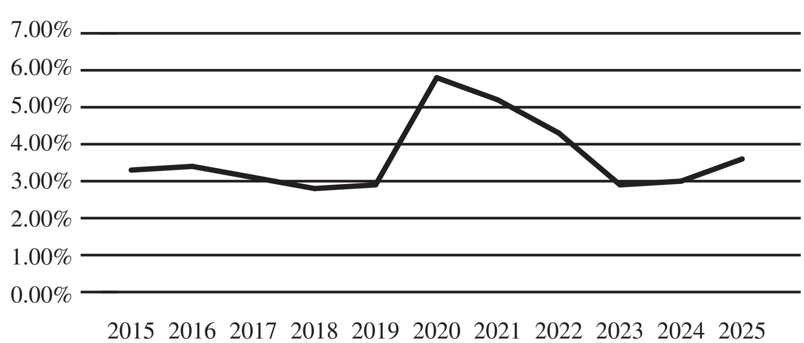


Source: Census and Statistics Department, HKSAR Government, 2025 Economic Background and 2026 Prospects (https://www.hkeconomy.gov.hk/en/pdf/25q4_outlook.pdf).

Hong Kong operates a Linked Exchange Rate System under which the Hong Kong dollar is linked to the US dollar at approximately HKD7.80 to US$1. The Hong Kong Monetary Authority maintains strong-side and weak-side Convertibility Undertakings at HKD7.75 and HKD7.85 to US$1, respectively. The system reduces exchange-rate volatility for businesses whose contracts and operating costs are principally denominated in Hong Kong dollars, although Hong Kong interest rates remain influenced by US monetary conditions and local liquidity.

Hong Kong's labour market softened moderately in 2025. The annual average unemployment rate increased from 3.0% in 2024 to 3.6% in 2025, while total employment decreased by 0.6%. The HKSAR Government expected the labour market to stabilise as economic activity continued to expand. For the Target Company, the availability and cost of qualified engineers, technicians and site personnel remain relevant because water and wastewater projects require specialised E&M installation, testing, commissioning and maintenance capabilities.

Annual unemployment rate in Hong Kong from 2015 to 2025



Source: Census and Statistics Department, HKSAR Government, 2025 Economic Background and 2026 Prospects (https://www.hkeconomy.gov.hk/en/pdf/25q4_outlook.pdf).

GOVERNMENT POLICIES

The 2025–26 Budget combined fiscal consolidation with continued investment in strategic infrastructure. The Government stated that it would accelerate the Northern Metropolis and infrastructure projects related to people's livelihood and the economy, while strengthening cost control and procurement efficiency. Measures relevant to the Target Company's operating environment included:

- Increasing average annual capital works expenditure from approximately HKD90 billion to approximately HKD120 billion over the five years from 2025–26 to 2029–30 as Northern Metropolis and other major infrastructure works are rolled out;

- Providing an estimated HKD9.15 billion under Head 704 — Drainage for drainage, sewerage and sewage-treatment projects in 2025–26, including the Hung Shui Kiu Effluent Polishing Plant — Phase 1 and the remaining works for the relocation of Sha Tin Sewage Treatment Works to caverns;

- Earmarking HKD3.7 billion to expedite Phase 1 infrastructure and public facilities in the Hong Kong Park of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone, alongside broader infrastructure planning for the Northern Metropolis;

- Continuing water-security and asset-management initiatives, including the Water Intelligent Network, risk-based improvement of water mains and expansion of treatment capacity to support new development areas; and

- Applying tighter cost control and procurement discipline to public works. While the announced infrastructure pipeline is supportive of sector demand, project timing, tender packaging, funding approvals and competitive pricing remain important uncertainties for individual contractors.

INDUSTRY OVERVIEW

The Target Company, Bestwise Envirotech Limited, is a Hong Kong-based specialist contractor established in 1980. Based on the Target Company's official website, it focuses on potable-water and wastewater engineering infrastructure and provides design, supply, installation, testing and commissioning, operation and maintenance services. Its capabilities include water and sewage-treatment plants, desalination and membrane systems, pumpsets and associated pipework, and related electrical and mechanical installations. Accordingly, its addressable market is linked principally to public water-supply, sewerage, sewage-treatment and related E&M infrastructure in Hong Kong.

Demand in this market is driven by the continuous operation and renewal of essential public infrastructure, population and development needs, water security, environmental standards and the maintenance requirements of installed assets. The market includes large project-based design-and-build or installation packages as well as recurring term maintenance and overhaul contracts. Public-sector procurement is therefore a significant source of work, with the Water Supplies Department ("**WSD**"), Drainage Services Department ("**DSD**"), Housing Authority and other government-related bodies forming important end customers for qualified contractors.

Water Supply Infrastructure and Asset Management

As at 31 March 2025, the Water Supplies Department served more than 99.99% of Hong Kong's population and operated 18 water-treatment works, one desalination plant, two water-reclamation plants, 151 fresh-water pumping stations or houses and approximately 6,803 kilometres of fresh-water mains. Under the Water Intelligent Network, approximately 2,400 District Metering Areas have been established to monitor water loss. The WSD aims to reduce leakage from public water mains from 13.4% in 2024 to below 10% by 2030 through monitoring, pressure management, rapid repair and risk-based replacement and rehabilitation. Major projects under construction include the HKD9.61 billion Ngau Tam Mei Water Treatment Works extension, which commenced in October 2025 and is intended to increase daily treatment capacity from 230,000 cubic metres to 440,000 cubic metres in its first stage to support Northern Metropolis developments.

Wastewater Treatment and Sewerage Infrastructure

The wastewater segment is supported by ongoing investment in treatment capacity, effluent quality, flood resilience and land-use efficiency. The 2025–26 Capital Works Reserve Fund estimated HKD9.15 billion of expenditure on drainage, sewerage and sewage-treatment projects. The remaining works for the relocation of Sha Tin Sewage Treatment Works to caverns, which commenced in September 2025, include treatment facilities with a design capacity of 340,000 cubic metres per day and related fire-services, building-services and E&M systems, with an estimated project cost of approximately HKD12.93 billion. Separately, the Shek Wu Hui Effluent Polishing Plant project is designed to increase treatment capacity and upgrade effluent to tertiary standard; DSD records identify the Target Company as the E&M contractor for Stage 1 of the Shek Wu Hui Effluent Polishing Plant project. These projects illustrate the specialist, multi-year and systems-integration nature of the market.

Procurement Characteristics, Competition and Outlook

Entry into public water and wastewater works depends on relevant approved-contractor status, technical track record, qualified personnel, safety and quality systems, financial capacity and the ability to coordinate civil, process, electrical and mechanical interfaces. These requirements create practical barriers to entry, but tendering remains competitive among established contractors. Profitability can vary with project mix, tender pricing, design changes, procurement lead times, labour and equipment costs, testing and commissioning outcomes, and the timing of certification, variation orders and final-account settlement. Working-capital requirements may also be significant because contract receipts can lag project expenditure.

Looking ahead, the Government's planned capital-works programme, water-loss reduction initiatives, treatment-capacity expansion, Northern Metropolis development and continuing maintenance needs provide a supportive medium-term demand backdrop. The Target Company's specialist experience and approved-contractor capabilities position it to participate in relevant tenders. However, several major projects are nearing completion and competition for future contract awards in this specialist segment is expected to remain intense. The sector outlook should therefore be assessed together with the Target Company's actual order book, tender success, project execution and ability to secure replacement work, rather than by reference to the public infrastructure pipeline alone.

Sources: Bestwise Envirotech Limited (https://www.bwenvirotech.com.hk/); WSD Annual Report 2024/25 and Waterworks Data (https://www.wsd.gov.hk/en/publications-and-statistics/statistics/key-facts/waterworks-data/); DSD project records (https://www.dsd.gov.hk/EN/Our_Projects/All_Projects/); SFK Construction Holdings Limited's 2025 Annual Report and HKSAR Government's 2025–26 Budget.

COMPANY OVERVIEW

SFK Construction Holdings Limited

The Company is principally engaged in construction and maintenance projects in Hong Kong. In addition, the Company and its subsidiaries (collectively referred to as the "Group") provides other services, which comprise mainly housing and property management services (such as the provision of cleaning services and security management services), fresh water and flush water maintenance services, sewage water sampling services, electrical and mechanical engineering services and building information modelling services to real estates in Hong Kong.

The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in electrical and mechanical engineering, being a contractor focusing in potable water and wastewater engineering infrastructure projects.

VALUATION METHODOLOGY OVERVIEW

The valuation of any asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the analysis of that asset.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain a business, business ownership interest, security, or intangible asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Market Approach

The market approach provides an indication of value by comparing a business, business ownership interest, security, or intangible asset with identical or comparable (that is similar) subjects for which price information is available.

Value is established based on the principle of comparison. This simply means that if one thing is similar to another and could be used for the other, then they must be similar. Furthermore, the prices of two alike and similar items should approximate one another.

Income Approach

This is a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

Selected Valuation Approach

Having considered the nature and operations of the Target Company, we adopted the Income Approach and applied the discounted cash flow ("**DCF**") method to determine the Market Value of its 51% equity interest as at the Valuation Date. This selection is consistent with IVS 103 Valuation Approaches, section 30, under which the Income Approach is particularly relevant when an asset's income-producing ability is a critical element affecting value and reasonable projections of future income and cash flows are available, especially where relevant and reliable market comparables are limited. In this valuation, the Target Company is an established specialist electrical and mechanical engineering contractor focusing on potable-water and wastewater infrastructure projects in Hong Kong, and its value is principally dependent on its ability to generate future cash flows from project-based engineering works, term contracts and recurring maintenance services. Management provided financial projections for the period from 2026 to 2032, supported by project-level revenue and cost schedules and assumptions concerning operating expenses, capital expenditure and working-capital requirements. The DCF method therefore enables the expected timing, amount and risk of these cash flows, together with a terminal value, to be reflected explicitly.

Given the niche nature of the Target Company's operations and the limited availability of directly comparable listed companies or transactions with sufficiently similar business activities, scale and project mix, the Market Approach was rejected, although relevant market evidence was considered in developing the discount rate.

The Cost Approach was also rejected because the Target Company is a going concern whose value is driven primarily by its future income-generating capability rather than the replacement cost or book value of its underlying assets. Accordingly, we considered the Income Approach using the DCF method to be the most appropriate approach in the circumstances of this valuation.

GENERAL ASSUMPTIONS

A number of general assumptions were established to sufficiently support our conclusion of valuation. The general assumptions adopted in this valuation are:

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where the Target Company currently operates in and in new markets that the Target Company may potentially expand into as proposed by the Management;

- There are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of the Target Company;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which the Target Company operates in or the Target Company may potentially operate in;

- All relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by the Target Company under the normal course of business;

- The Target Company will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; and

- Trademarks, patents, technology, copyrights and other valuable technical and management know-how will not be infringed in countries/regions where the Target Company is or will be carrying on business.

APPLICATION OF INCOME APPROACH

Methodology

The Market Value of a 51% equity interest in the Target Company under the Income Approach was determined using the DCF methodology. Under the DCF methodology, the value of the Target Company is derived by estimating the future cash flows expected to be generated by the business and discounting such cash flows to their present value as at the Valuation Date using an appropriate discount rate.

The application of the DCF methodology requires consideration of various key parameters, including, among others, the financial projections of the Target Company, working capital requirements, capital expenditure requirements and an appropriate discount rate. The principal elements of the DCF methodology comprise: (i) the projected future cash flows; and (ii) the discount rate applied to such cash flows.

The projected cash flows of the Target Company were estimated based on the financial forecast provided by the Management and the relevant assumptions adopted therein. Such projected cash flows were then discounted to their present values as at the Valuation Date using an appropriate discount rate.

$$\mathrm{PV} = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \cdots + \frac{E_n}{(1+k)^n}$$

PV	=	Sum of present value of the expected economic income as at the Valuation Date
E_1, E_2, E_3, etc.	=	Expected economic income in the respective forecast periods
E_n	=	Expected economic income in the final forecasts period
k	=	Appropriate discount rate

The present value of the projected cash flows, together with the present value of the terminal value, represents the enterprise value of the Target Company. In deriving the equity value of the Target Company, appropriate adjustments were made for items including excess cash, non-operating assets and liabilities, and interest-bearing debt or other financing items, where applicable, as at the Valuation Date. The Market Value of the 51% equity interest in the Target Company was then derived based on the resulting equity value, taking into account any other valuation adjustments considered appropriate.

The financial projections and related assumptions contained in our valuation were internally prepared, discussed, and adjusted with reference to the opinions provided by the Management. We have reviewed the calculations and validity of the projections. The nature and underlying rationale for the financial projections will be discussed hereinafter.

MAJOR ASSUMPTION

Consideration of the proposed capital reduction and settlement of inter-company balances

In determining the Market Value of the 51% equity interest in the Target Company as at the Valuation Date, we have considered the effects of (i) the proposed capital reduction of the Target Company to HKD38,000,000; and (ii) the settlement of all receivables due from and payables due to related parties to nil. Pursuant to the Sale and Purchase Agreement, the completion of the capital reduction and the settlement of such related-party balances constitute conditions precedent to Completion.

Accordingly, for the purpose of this valuation, we have adjusted the Target Company's statement of financial position as at the Valuation Date, assuming that the proposed capital reduction and settlement of the related-party balances had been completed as at that date. We consider these adjustments relevant and appropriate because they reflect the expected standalone financial position of the Target Company following completion of these arrangements. The adjusted statement of financial position is presented for valuation purposes only and does not represent the Target Company's actual historical financial position as at the Valuation Date.

For illustration purpose, the following table sets out the simplified adjusted statement of financial position of the Target Company as at the Valuation Date:

	Before Capital Reduction and Settlement	Adjustments	After Capital Reduction and Settlement
	HKD'000	*HKD'000*	*HKD'000*
	(Audited)	(Unaudited)	(Unaudited)
Assets			
Cash and cash equivalents	23,141	628	23,769
Contract assets	56,599	—	56,599
Trade and other receivables	67,149	—	67,149
Amounts due from fellow subsidiaries	164,356	(164,356)	—
Property, plant and equipment	2,982	—	2,982
Deferred tax assets	12,772	—	12,772
Total assets	**326,999**	**(163,728)**	**163,271**
Liabilities			
Contract liabilities	(16,600)	—	(16,600)
Trade and other payables	(98,518)	—	(98,518)
Amount due to fellow subsidiaries	(1,150)	1,150	—
Lease liabilities — current	(1,038)	—	(1,038)
Interest-bearing borrowings	(20,000)	—	(20,000)
Lease liabilities — non-current	(2,021)	—	(2,021)
Total liabilities	**(139,327)**	**1,150**	**(138,177)**
Net assets/equity	**187,672**	**(162,578)**	**25,094**

Note: The adjustments represent (i) the elimination and settlement of amounts due from fellow subsidiaries of HKD164.356 million; (ii) the elimination and settlement of the amount due to fellow subsidiaries of HKD1.150 million; and (iii) the reduction of share capital from HKD200.578 million to HKD38.000 million. The resulting net adjustment comprises a reduction in share capital of HKD162.578 million and a payable from fellow subsidiaries before Completion of HKD0.628 million. The sum of individual amounts may not equal the totals due to rounding.

Revenue Forecast

Revenue primarily comprises contract revenue and service income generated from the Target Company's potable-water and wastewater engineering infrastructure projects. Management prepared the revenue forecast on a project-by-project basis, having regard to the existing order backlog, the expected commencement and completion dates of individual contracts, anticipated work progress, historical run rates for recurring works, and Management's assessment of the timing and probability of securing identified tenders and future contract awards.

For analysis purposes, maintenance revenue has been grouped into: (i) major and minor maintenance contracts; (ii) Drainage Services Department ("DSD") term contracts; and (iii) Housing Authority contracts. Major and minor maintenance contracts represent the relatively recurring portion of the Target Company's revenue and are forecast to remain broadly stable at approximately HKD42.4 million to HKD56.4 million per annum during the forecast period. DSD term contract revenue is forecast to decrease upon the completion of the existing contract, before increasing from 2029 following the expected commencement of a new DSD term contract. Housing Authority contract revenue is forecast to increase from approximately HKD84.9 million in 2026 to a peak of approximately HKD245.5 million in 2029, reflecting the expected execution schedules of the relevant contracts and tenders, before decreasing to approximately HKD78.0 million in 2032 as the forecast works progress towards completion.

Project and new works revenue has been grouped into: (i) non-mega projects; and (ii) mega projects. Revenue from non-mega projects is forecast at approximately HKD63.3 million in 2026 and HKD155.6 million in 2027 as current contracts are executed, before declining in 2028 and 2029 as those works are completed. Anticipated future tenders are forecast to contribute from 2028 and increase to approximately HKD102.0 million by 2032. Mega-project revenue fluctuates according to the forecast construction programmes of the mega projects and is expected to become an increasingly important revenue contributor from 2028 onwards. Revenue relating to contracts not yet awarded remains subject to successful tendering, actual contract awards and the timing of project execution.

Based on the above, total revenue is forecast at approximately HKD354.0 million, HKD339.1 million, HKD398.2 million, HKD501.5 million, HKD476.7 million, HKD531.9 million and HKD476.7 million from 2026 to 2032, respectively. The forecast does not exhibit a uniform annual growth pattern because revenue recognition is principally determined by the commencement, progress and completion of individual contracts. The increases in 2028 and 2029 are primarily supported by the expected expansion of Housing Authority contracts, the contribution from mega projects and the commencement of anticipated contracts. Revenue decreases in 2030 and 2032 principally reflect the scheduled reduction or completion of certain maintenance and term contracts, partly offset by additional mega-project revenue and future project awards. Over the period from 2026 to 2032, total revenue represents a compound annual growth rate of approximately 5.1%.

Beyond the forecast period, a long-term growth rate of approximately 2.4% is adopted with reference to the average forecast inflation rate for Hong Kong from 2026 to 2030, as sourced from the IMF World Economic Outlook Database, October 2025.

Breakdown of Forecast Revenue

HKD, unless otherwise stated

	Dec 2026 Projected	**Dec 2027 Projected**	**Dec 2028 Projected**	**Dec 2029 Projected**
Maintenance revenue				
Major and minor maintenance contracts	42,378,000	54,191,000	51,435,000	55,929,000
DSD term contracts	52,267,000	—	—	56,442,083
Housing Authority contracts	84,878,000	113,171,000	131,551,667	245,474,667
Total maintenance revenue	**179,523,000**	**167,362,000**	**182,986,667**	**357,845,750**
Project and new works revenue				
Non-mega projects	63,340,000	155,618,000	90,740,000	52,660,000
Mega projects	111,143,000	16,128,000	124,512,000	90,960,000
Total project and new works revenue	**174,483,000**	**171,746,000**	**215,252,000**	**143,620,000**
Total revenue	**354,006,000**	**339,108,000**	**398,238,667**	**501,465,750**
Revenue growth rate	**(25.7%)**	**(4.2%)**	**17.4%**	**25.9%**
Maintenance revenue as a percentage of total revenue	50.7%	49.4%	45.9%	71.4%
Project and new works revenue as a percentage of total revenue	49.3%	50.6%	54.1%	28.6%

Note: The sum of individual amounts may not equal the totals due to rounding.

HKD, unless otherwise stated

	Dec 2030 Projected	**Dec 2031 Projected**	**Dec 2032 Projected**
Maintenance revenue			
Major and minor maintenance contracts	52,018,000	54,184,000	56,387,000
DSD term contracts	135,461,000	135,461,000	79,018,917
Housing Authority contracts	131,307,667	112,927,000	78,009,750
Total maintenance revenue	**318,786,667**	**302,572,000**	**213,415,667**
Project and new works revenue			
Non-mega projects	67,000,000	68,000,000	102,000,000
Mega projects	90,960,000	161,280,000	161,280,000
Total project and new works revenue	**157,960,000**	**229,280,000**	**263,280,000**
Total revenue	**476,746,667**	**531,852,000**	**476,695,667**
Revenue growth rate	**(4.9%)**	**11.6%**	**(10.4%)**
Maintenance revenue as a percentage of total revenue	66.9%	56.9%	44.8%
Project and new works revenue as a percentage of total revenue	33.1%	43.1%	55.2%

Note: The sum of individual amounts may not equal the totals due to rounding.

Cost of Revenue

Cost of revenue represents costs directly attributable to the Target Company's potable-water and wastewater engineering contracts and maintenance services. Management prepared the forecast on a project-by-project basis by matching the forecast revenue of each contract with its corresponding direct cost budget or expected gross margin.

For consistency with the revenue forecast, cost of revenue has been grouped into: (i) maintenance related direct cost; and (ii) project and new works cost.

Total maintenance-related direct costs are forecast at approximately HKD167.4 million, HKD159.2 million, HKD175.5 million, HKD344.5 million, HKD305.2 million, HKD289.3 million and HKD203.2 million from 2026 to 2032, respectively. The significant increase in 2029 reflects the expected expansion of Housing Authority work and commencement of the anticipated new DSD term contract, while the subsequent decrease reflects the forecast progress and completion of those contracts.

Total direct costs attributable to project and new works revenue are forecast at approximately HKD166.2 million, HKD159.2 million, HKD201.6 million, HKD135.5 million, HKD150.0 million, HKD220.5 million and HKD251.5 million from 2026 to 2032, respectively. Revenue and costs relating to contracts not yet awarded remain subject to tender success, actual contract award and the project execution timetable.

Based on the above project-level assumptions, total cost of revenue is projected at approximately HKD333.6 million, HKD318.4 million, HKD377.1 million, HKD480.0 million, HKD455.2 million, HKD509.8 million and HKD454.7 million from 2026 to 2032, respectively. Gross profit is forecast to remain within a relatively narrow range of approximately HKD20.4 million to HKD22.1 million, representing overall gross margins of approximately 5.8%, 6.1%, 5.3%, 4.3%, 4.5%, 4.1% and 4.6% over the same period. The lower overall gross margins in 2029 and 2031 principally reflect the higher weighting of lower-margin DSD, Housing Authority and mega-project revenue in those years. The forecast therefore reflects project-specific direct cost budgets, expected margins and the changing contract mix, rather than applying a single cost-of-revenue growth rate or gross margin across all forecast years. Beyond 2032, a long-term growth rate of approximately 2.4% is adopted with reference to the average forecast inflation rate for Hong Kong from 2026 to 2030, as sourced from the IMF World Economic Outlook Database, October 2025.

Breakdown of Forecast Cost of Revenue

HKD, unless otherwise stated

	Dec 2026 Projected	**Dec 2027 Projected**	**Dec 2028 Projected**	**Dec 2029 Projected**
Total maintenance-related direct costs	167,449,722	159,201,289	175,540,422	344,527,468
Total project and new works direct costs	166,173,593	159,174,613	201,586,512	135,510,551
Total cost of revenue	**333,623,315**	**318,375,902**	**377,126,934**	**480,038,019**
Total Revenue	**354,006,000**	**339,108,000**	**398,238,667**	**501,465,750**
Gross profit	**20,382,685**	**20,732,098**	**21,111,733**	**21,427,731**
Gross profit margin	**5.8%**	**6.1%**	**5.3%**	**4.3%**

Note: The sum of individual amounts may not equal the totals due to rounding.

HKD, unless otherwise stated

	Dec 2030 Projected	Dec 2031 Projected	Dec 2032 Projected
Maintenance-related direct costs			
Total maintenance-related direct costs	**305,183,167**	**289,320,871**	**203,166,665**
Total project and new works direct costs	**150,027,533**	**220,461,538**	**251,530,777**
Total cost of revenue	**455,210,700**	**509,782,409**	**454,697,441**
Total Revenue	**476,746,667**	**531,852,000**	**476,695,667**
Gross profit	**21,535,967**	**22,069,591**	**21,998,226**
Gross profit margin	**4.5%**	**4.1%**	**4.6%**

Note: The sum of individual amounts may not equal the totals due to rounding.

Operating Expenses

Operating expenses mainly comprise administrative and other operating expenses, excluding depreciation and amortization, incurred in supporting the Target Company's engineering operations. Management projected operating expenses with reference to the historical cost base and the level of overhead required to support the forecast project pipeline. Operating expenses are projected to be approximately HKD8.1 million in 2026, HKD8.4 million in 2027, HKD8.6 million in 2028, HKD8.8 million in 2029, HKD9.1 million in 2030, HKD9.3 million in 2031 and HKD9.6 million in 2032. Beyond 2032, a long-term growth rate of approximately 2.4% is adopted, with reference to the average forecast inflation rate for Hong Kong from 2026 to 2030, as sourced from the IMF World Economic Outlook Database, October 2025.

More specifically, the 2026 forecast is prepared by combining the actual administrative expense base for January to June 2026 with Management's budget for July to December 2026, and the subsequent forecast is developed line by line. Salaries and allowances, the largest component, are forecast at approximately HKD6.4 million in 2026 and are increased by 3.0% per annum to approximately HKD7.7 million in 2032. Office management fees are likewise increased by 3.0% per annum. Motor vehicle rental and most recurring utility, travelling, printing, staff-welfare and other office costs are generally increased by approximately 2.0% per annum. On this basis, operating expenses excluding depreciation and amortization and finance costs increase from approximately HKD8.1 million in 2026 to approximately HKD9.6 million in 2032, representing an annualized increase of approximately 3.0%.

HKD	Dec 2026 Projected	Dec 2027 Projected	Dec 2028 Projected	Dec 2029 Projected	Dec 2030 Projected
Operating Expenses	8,052,990	8,399,160	8,626,509	8,832,238	9,073,357

HKD	Dec 2031 Projected	Dec 2032 Projected
Operating Expenses	9,327,781	9,595,720

Depreciation and Amortization

Depreciation and amortization comprises depreciation of owned property, plant and equipment and right-of-use assets. The forecast was prepared with reference to the existing net book values, the remaining depreciation of right-of-use assets and the depreciation arising from forecast maintenance and replacement capital expenditure. Depreciation and amortization is projected at approximately HKD1.364 million in 2026, HKD1.361 million in 2027, HKD1.363 million in 2028, HKD1.388 million in 2029, HKD1.413 million in 2030, HKD1.203 million in 2031 and HKD1.227 million in 2032. The decrease in 2031 primarily reflects the full depreciation of certain existing owned property, plant and equipment, which will no longer give rise to depreciation charges from 2031 onwards. The decrease is partly offset by the continued depreciation of the Target Company's right-of-use assets.

HKD	Dec 2026 Projected	Dec 2027 Projected	Dec 2028 Projected	Dec 2029 Projected	Dec 2030 Projected
Depreciation and Amortization	1,363,772	1,360,972	1,363,172	1,387,831	1,412,940

HKD	Dec 2031 Projected	Dec 2032 Projected
Depreciation and Amortization	1,202,707	1,226,541

Corporate Income Tax Rate

It is assumed that the taxable income generated by the Target Company will be subject to Hong Kong profits tax at the statutory rate of 16.5%. The financial projections also take into account deferred tax assets of approximately HKD12.8 million as at the Valuation Date. Subject to the availability of sufficient future taxable profits and the applicable tax regulations, the tax benefits arising from these deferred tax assets are assumed to be utilized to offset the income tax otherwise arising during the financial projection period. Accordingly, no cash tax outflow is projected from FY2026 to FY2031. The remaining deferred tax assets are expected to be fully utilized in FY2032, during which a partial cash tax outflow is projected. Thereafter, the statutory tax rate of 16.5% is applied in full to the normalized taxable income from FY2033 onward.

Capital Expenditure

Capital expenditure represents additions to owned property, plant and equipment and right-of-use assets required for daily operations. The forecast reflects recurring maintenance and replacement requirements, together with a specific motor vehicle addition in 2026. Capital expenditure is projected at approximately HKD1.179 million in 2026, HKD0.011 million in 2027, HKD0.403 million in 2028, HKD1.156 million in 2029, HKD1.179 million in 2030, HKD1.203 million in 2031 and HKD1.227 million in 2032. The increase from 2029 principally reflects the assumed replacement of right-of-use assets as existing assets depreciate.

HKD	**Dec 2026 Projected**	**Dec 2027 Projected**	**Dec 2028 Projected**	**Dec 2029 Projected**	**Dec 2030 Projected**
Capital Expenditure	1,179,000	11,000	402,916	1,156,431	1,179,340

HKD	**Dec 2031 Projected**	**Dec 2032 Projected**
Capital Expenditure	1,202,707	1,226,541

Change in Working Capital

Working capital comprises trade debtors, deposits, prepayments and other receivables, contract assets, trade creditors, retentions payable, accruals and other payables, and contract liabilities. The forecast applies trade debtor and trade creditor turnover days of approximately 22.3 days and 22.8 days, respectively, derived from the relevant reported financial information. Relevant balance sheet ratios were also applied to deposits, prepayments and other receivables, contract assets, contract liabilities, retention payables and accruals and other payables. Net working capital is projected at approximately HKD20.3 million in 2026, HKD19.5 million in 2027, HKD22.7 million in 2028, HKD28.3 million in 2029, HKD27.0 million in 2030, HKD30.0 million in 2031 and HKD27.0 million in 2032, resulting in the annual cashflow movements shown below.

HKD	**Dec 2026 Projected**	**Dec 2027 Projected**	**Dec 2028 Projected**	**Dec 2029 Projected**	**Dec 2030 Projected**
Working Capital	20,292,543	19,513,902	22,714,614	28,280,601	26,959,231
Cashflow Movement	(11,662,543)	778,641	(3,200,713)	(5,565,986)	1,321,370

HKD	**Dec 2031 Projected**	**Dec 2032 Projected**
Working Capital	29,953,279	26,985,344
Cashflow Movement	(2,994,048)	2,967,935

Beyond 2032, a long-term growth rate of approximately 2.4% is adopted, with reference to the average forecast inflation rate for Hong Kong from 2026 to 2030, as sourced from the IMF World Economic Outlook Database, October 2025.

DISCOUNT RATE ASSUMPTIONS

We have developed the discount rate, being the weighted average cost of capital, based on the following assumptions.

Cost of Equity

The cost of equity ("$\mathbf{R_e}$"), the return a company's shareholders require to decide if an equity investment meets capital return requirements, was developed by us using the available data and factors relevant to the economy, and industry, in which the Target Company operates in. The Modified Capital Asset Pricing Model ("**M.CAPM**") was adopted to calculate the cost of equity.

Modified Capital Asset Pricing Model

M.CAPM, as applied to this valuation, can be summarized as follows:

$$R_e = R_f + Beta \times ERP + RP_s + RP_u$$

Where	R_e	:	Cost of Equity;
	R_f	:	Risk Free Rate;
	Beta	:	A measure of systematic risk;
	ERP	:	Equity Risk Premium;
	RP_s	:	Size Premium; and
	RP_u	:	Specific Company Adjustment

Risk Free Rate ("R_f")

The risk-free rate, the theoretical rate of return of an investment with zero risk, was determined with reference to the current yields on government bonds of the operating markets where the Target Company is currently operated. Ideally, the duration of the security being used as an indication of the risk-free rate should match the maturing horizon of the projected cash flows being discounted, which is in perpetuity in the present case. Accordingly, we adopted the yield of 3.58% on the 30-year Hong Kong Government Bond as at the Valuation Date as the risk-free rate, based on data obtained from the Bloomberg Terminal.

Equity Risk Premium ("ERP")

Equity risk premium is the excess return an equity investor requires to compensate him/her for taking on relatively higher equity risks above zero risk. The result was referenced to generally calculated ERPs for similar companies as published by the renowned Professor Aswath Damodaran of New York University, best known and famous as an author of several widely used academic and practitioner texts on valuation, corporate finance, and investment management. Accordingly, we adopted an ERP of 4.69% for Hong Kong, based on the latest available data published by Professor Aswath Damodaran as at the Valuation Date.

Beta

Beta, or beta coefficient, is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta, when used in CAPM, is used to calculates the expected return of an asset based on its beta and expected market returns. We obtained the betas of the selected companies from the Guideline Public Companies table below. The identified betas were unlevered to remove the effects of financial leverage to ascertain relative risks as indicated by beta, and thereafter it was re-levered with the average beta of same group of companies in the aforesaid chart.

Selection of the Guideline Public Companies

The group of companies in the table below under the heading of "Guideline Public Companies" were selected and tabulated to assist us in computing beta and determining Re. A general description of each of the selected companies has been compiled below. The companies are engaged in similar businesses or are exposed to a similar extent of macro-economic risks as the Target Company.

In carrying out the selection process, we first established a broad universe of actively traded primary securities of companies listed in Hong Kong that operate in the construction, engineering, environmental services and electrical and mechanical engineering sectors. As an additional geographic screening criterion, at least 50% of each candidate's latest reported geographic segment revenue was required to be generated from Hong Kong. Potential candidates were initially identified using the Bloomberg Terminal and were subsequently reviewed with reference to their latest available annual reports, official corporate websites and other publicly available information.

The principal selection criteria included: (i) the nature of each candidate's principal activities and the degree of overlap with the Target Company's potable water and wastewater engineering infrastructure business; (ii) exposure to water treatment, wastewater treatment, drainage, plumbing, treatment-plant construction, related electrical and mechanical systems, maintenance or operation and maintenance services; (iii) the similarity of the project-based contracting, installation and service-delivery model; (iv) the requirement that at least 50% of the candidate's latest reported geographic segment revenue was generated from Hong Kong; (v) the materiality and identifiability of the relevant activities within the candidate's overall business; and (vi) the availability of sufficient public financial and market information for estimating beta and capital structure.

The screening was conducted progressively. Candidates without meaningful operating overlap, including companies focused mainly on general building construction, foundation or slope works, fitting-out, demolition or unrelated businesses, were excluded. Priority was given to companies with direct design, supply, installation, maintenance or operational exposure to water and wastewater systems. Where the number of direct peers was limited, the review was broadened to companies with relevant environmental engineering, drainage, plumbing or electrical and mechanical engineering capabilities, provided that the nature and extent of their differences from the Target Company could be reasonably identified.

Given the niche nature of the Target Company's principal activities and the limited availability of directly comparable listed companies, we further considered differences in scale, service mix, end-market exposure, diversification and the relative contribution of comparable activities. These factors were assessed collectively, rather than as mechanical pass-or-fail tests, to determine whether each company provided meaningful market evidence for estimating beta and gearing. Accordingly, the selected companies were considered to represent the closest reasonable market references available for the purpose of this valuation.

Guideline Public Companies

1 New Concepts Holdings Limited (2221 HK)

New Concepts Holdings Limited operates different business segments, including foundation works, civil engineering works, and general building works.

2 Analogue Holdings Limited (1977 HK)

Analogue Holdings Limited operates different business segments, including the provision of solutions for the design, construction, operation and maintenance of systems for treatment of sewage, water, solid waste, sludge and gas. Information, Communication.

3 Wai Kee Holdings Limited (610 HK)

Wai Kee Holdings Limited operates different business segments, including the construction of civil engineering and building projects.

4 FSE Lifestyle Services Limited (331 HK)

FSE Lifestyle Services Limited operates different business segments, including the provision of engineering and consultancy services on installation.

Source: The latest available annual reports of the selected guideline public companies.

Summary of Beta

Applied Unlevered Beta	Re-leverage Beta
0.40	0.59

Size Premium ("RP_s")

RPs, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In this valuation, we applied a size premium of 7.06% in excess of the CAPM for companies classified as 10th deciles in the United States. We relied on the studies from Business Valuation Resources: CRSP decile size premia 1928–2025.

Specific Company Adjustment ("RP_u")

RPu represents the unsystematic risk attributable to a specific company and is intended to reflect additional risk factors not captured by general market risk parameters. Company-specific risk factors may include, among others, intense competition, customer concentration, limited access to capital, dependence on key management, limited business diversification, environmental or litigation exposure, narrow distribution channels, technological obsolescence and an uncertain business outlook.

In determining the specific company adjustment, we considered the following principal factors:

- Uncertainty as to whether the Target Company can achieve its financial forecasts, particularly given the potential variability in project awards, execution schedules, operating margins and working-capital requirements; and
- The Target Company's specialised focus on sewage-treatment solutions, construction and engineering services, together with its significant concentration in government and government-related projects, exposes it to risks associated with project concentration, tender outcomes and public-sector procurement and approval processes. Any delay, suspension, cancellation, rescoping or non-renewal of such projects, including delays arising from government budgetary constraints or changes in public infrastructure priorities, could adversely affect the Target Company's project pipeline, revenue timing, resource utilisation, operating margins and cash flows. The Target Company is also exposed to cost overruns, regulatory requirements and fluctuations in demand for water and wastewater infrastructure projects.
- The Target Company is a privately held, unlisted company whose shares are not traded on a recognised stock exchange. Accordingly, there is no readily available public market for its shares, which may limit the ability of shareholders to realise their investments promptly and may result in lower marketability compared with shares of listed companies.

Having considered the above factors, we considered it appropriate to apply an RP_u in valuing the 51% equity interest in the Target Company to reflect the additional company-specific risk. As such, a specific risk premium of 4% was adopted.

Conclusion on Cost of Equity

As such, we proceed to apply the M.CAPM formula to conclude the R_e.

Cost of Equity ("R_e") Conclusion

Risk-Free Return	3.58%
Beta	0.59
Equity Risk Premium	4.69%
Size Premium	7.06%
Specific Risk Premium	4.00%
Cost of Equity	17.43%

Note: The sum of individual amounts may not equal the total due to rounding.

Development of Cost of Debt

In estimating the cost of debt ("$\mathbf{R_d}$"), we referred to the Target Company's actual borrowing rate as at the Valuation Date. Accordingly, a cost of debt of approximately 4.63% was adopted.

Development of Weighted Average Cost of Capital

WACC (being the discount rate in this valuation) is a calculation of a business enterprise's cost of capital in which each category of capital is proportionately weighted. The determined WACC has taken into account the median gearing of the group of Guideline Public Companies. We worked on the assumption that over time, and in order to stay competitive, the Target Company's financial gearing will approach and converge to the median gearing (and so as WACC) of those companies listed in Guideline Public Companies table. After having already determine the Re and Rd, the calculation of the Target Company's WACC, or the discount rate, is illustrated as follows:

Weighted Cost of Capital Conclusion

Percentage Interest Bearing Debt	36.77%
Cost of Debt	4.63%
Marginal Tax Rate	16.50%
Weighted Cost of Debt (a)	1.42%
Percentage Equity	63.23%
Cost of Equity	17.43%
Weighted Cost of Equity (b)	11.02%
WACC, discount rate applied (rounded) (a)+(b)	12.44%

Note: The sum of individual amounts may not equal the total due to rounding.

VALUATION RESULT SUMMARY

The discounted cash flows computation is summarized as below:

	2026	2027	2028	2029	2030	2031	2032
Forecast period	**12 months**	**12 months**	**12 months**	**12 months**	**12 months**	**12 months**	**12 months**
Revenue	354,006,000	339,108,000	398,238,667	501,465,750	476,746,667	531,852,000	476,695,667
Cost of Revenue	(333,623,315)	(318,375,902)	(377,126,934)	(480,038,019)	(455,210,700)	(509,782,409)	(454,697,441)
Gross Profit	**20,382,685**	**20,732,098**	**21,111,733**	**21,427,731**	**21,535,967**	**22,069,591**	**21,998,226**
Gross Margin	5.8%	6.1%	5.3%	4.3%	4.5%	4.1%	4.6%
Operating Expenses (excluding D&A)	(8,052,990)	(8,399,160)	(8,626,509)	(8,832,238)	(9,073,357)	(9,327,781)	(9,595,720)
EBITDA	**12,329,695**	**12,332,938**	**12,485,223**	**12,595,493**	**12,462,610**	**12,741,809**	**12,402,505**
Depreciation and Amortization	(1,363,772)	(1,360,972)	(1,363,172)	(1,387,831)	(1,412,940)	(1,202,707)	(1,226,541)
EBIT	**10,965,923**	**10,971,966**	**11,122,051**	**11,207,662**	**11,049,670**	**11,539,103**	**11,175,964**
EBIT Margin	3.1%	3.2%	2.8%	2.2%	2.3%	2.2%	2.3%
Taxation	—	—	—	—	—	—	(103,336)
Net Operating Profit After Tax	**10,965,923**	**10,971,966**	**11,122,051**	**11,207,662**	**11,049,670**	**11,539,103**	**11,072,628**
Add: Depreciation and Amortization	1,363,772	1,360,972	1,363,172	1,387,831	1,412,940	1,202,707	1,226,541
Capital Expenditure	(1,179,000)	(11,000)	(402,916)	(1,156,431)	(1,179,340)	(1,202,707)	(1,226,541)
Change in Net Working Capital	(11,662,543)	778,641	(3,200,713)	(5,565,986)	1,321,370	(2,994,048)	2,967,935
Free Cash Flow to Firm	**(511,848)**	**13,100,579**	**8,881,595**	**5,873,076**	**12,604,639**	**8,545,054**	**14,040,564**
Present Value of FCFF	**(482,703)**	**10,987,762**	**6,625,045**	**3,896,213**	**7,436,810**	**4,483,841**	**6,552,380**
						Sum of Present Value of Cash Flow	**39,499,348**

We referred to the Gordon Growth model to calculate the terminal value. Gordon Growth model, as applied to this valuation, can be summarized as follows:

Terminal Value = Normalized FCFF one year after the forecast period/(WACC–g)

Where WACC : Discount rate;
g : Perpetual growth rate

The following table shows the key financial figure adopted in our DCF model to calculate the terminal value:

	31 December 2025
Income Approach — DCF Method	HKD
Normalized FCFF one year after the forecast period	8,916,369
Equity capitalization rate (WACC–g)	10.09%
Terminal value	88,403,419
Present value of terminal value	**41,255,668**

Note: The sum of individual amounts may not equal the totals due to rounding.

Valuation Summary Result-Business Enterprise Value and Equity Value of the Target Company

	31 December 2025
Income Approach — DCF Method	HKD
Sum of present values	39,499,348
Present value of terminal value	41,255,668
Business Enterprise Value of the Target Company	**80,755,016**
Adjust by:	
Add: Cash and cash equivalents *(Note)*	23,769,000
Less: Interest-bearing borrowings *(Note)*	(20,000,000)
Less: Lease liabilities *(Note)*	(3,059,000)
Market Value of 100% Equity Interest in the Target Company	81,465,016
Market Value of 51% Equity Interest in the Target Company	41,547,158
Market Value of 51% Equity Interest in the Target Company (rounded)	**41,547,000**

Note: Cash and cash equivalents of HKD23,769,000, interest-bearing borrowings of HKD20,000,000 and lease liabilities of HKD3,059,000 are based on the adjusted statement of financial position as at the Valuation Date after the proposed capital reduction and related-party settlement. The sum of individual amounts may not equal the totals due to rounding.

SENSITIVITY ANALYSIS

For the conclusion under the core analysis based on the Income Approach, we have conducted the sensitivity analysis on the valuation conclusion using a perpetual growth rate of 2.4% and a discount rate of 12.4%, as follows.

Valuation		**Perpetual Growth Rate**				
(HKD'000)		1.4%	1.9%	**2.4%**	2.9%	3.4%
	10.4%	48,677	49,961	51,403	53,036	54,899
	11.4%	43,931	44,885	45,944	47,126	48,454
Discount Rate	**12.4%**	40,028	40,752	**41,547**	42,426	43,400
	13.4%	36,760	37,319	37,927	38,594	39,326
	14.4%	33,983	34,420	34,893	35,407	35,967

STATEMENT OF LIMITING CONDITIONS

This valuation report relies upon the following contingent and limiting conditions:

1. We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.

2. The business interest and subject business assets have been valued free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exist.

3. All information provided by the client and others is thought to be accurate. However, we offer no assurance as to its accuracy.

4. Unless stated otherwise in this report, we have assumed compliance with the applicable local laws and regulations.

5. Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the Target Company or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.

6. The report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with our company.

7. The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.

8. The opinion of value expressed in this report does not obligate us attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been made previously.

9. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.

10. This report is valid only for the date specified herein.

CONCLUSION OF VALUE

In conclusion, based on the analyses as fully described in this valuation report and the valuation methodologies which we have employed, we are of the opinion that the Market Value of the 51% equity interest in the Target Company as at 31 December 2025 is as follows.

Subject of Valuation	Valuation Result
Market Value of the 51% equity interest in the Target Company as at 31 December 2025	HKD41,547,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
VALTECH VALUATION ADVISORY LIMITED

VALUERS' PROFESSIONAL DECLARATION

We hereby certify that we have neither present nor any prospective interests in the subject under valuation. Moreover, we have neither personal interests nor any bias with respect to any of the parties involved.

To the best of our knowledge and belief, our analyses, opinions and conclusion of value as set out in this report have been prepared independently and objectively, subject to the assumptions, information relied upon and limiting conditions stated in this report.

In conducting this valuation exercise, we have considered the information made available to us by the Management and other relevant information considered appropriate for the purpose of this engagement. We are not aware of any material facts relevant to the valuation conclusion that have been intentionally omitted or disregarded.

Save for the professional fee payable to us in connection with this engagement, we confirm that we have no arrangement to receive any other fees or benefits from the Company, the Target Company, the Management or any other parties involved in the proposed disposal. Our remuneration is not contingent upon the valuation conclusion, the amount of value assessed, the completion of the proposed disposal, the occurrence of any subsequent event, or the reporting of a predetermined value or direction in value that favours the interests of any party.

We further confirm that our analyses and this valuation report have been prepared in accordance with the International Valuation Standards published by the International Valuation Standards Council, based on the scope of work performed, information available to us and assumptions adopted as set out in this report.

INVOLVED STAFF BIOGRAPHY

Marvin Wong, *FCPA*

Mr. Wong has 15 years of experience in the professional services industry, specializing in auditing, internal control advisory, financial due diligence, and business valuation. Mr. Wong has over 10 years of experience in valuation, gaining extensive expertise in this field.

Mr. Wong is proficient in various valuation methodologies, including business valuation, intangible assets valuation, purchase price allocation, expected credit loss assessment, and actuarial valuation. He provides valuation services primarily to support financial reporting, mergers and acquisitions, tax filing, fundraising, and litigation purposes. Additionally, he has prepared valuation reports for listed companies in Hong Kong related to public disclosures concerning substantial corporate actions, including acquisitions and disposals of assets and groups of companies.

His valuation targets encompass a wide range of industries and assets, including but not limited to:

- Crypto funds
- Biological asset planting bases
- Toll road operators
- Properties under development
- In vitro diagnostics businesses
- Educational institutions
- Fitness businesses
- Manufacturing firms
- Healthcare companies
- SFC-licensed corporations

Mr. Wong has been appointed by various private and Hong Kong-listed companies to evaluate valuation targets across Hong Kong, Mainland China, Taiwan, Singapore, Australia, the Philippines, and other locations. His diverse experience spans multiple industries, including food and beverage, financial services, hospitality, mining, shipbuilding, pharmaceuticals, agriculture, trading, e-platforms, marketing, peer-to-peer microlending, waste management, and intelligent parking.

He is also skilled in intangible asset valuation, covering customer relationships, trademarks, franchise agreements, mining rights, patents, distribution networks, and concession rights.

Jimmy Wong, *CPA, CFA, FRM, MFin, ABV (AICPA)*

Mr. Wong has solid experience in providing corporate valuation advisory and related consulting services in the past 15 years. Before joining Valtech Valuation, he gained rich exposure in valuation and related party transfer pricing consulting at a Big 4 accounting firm and a renowned valuation advisory group. Mr. Wong has led and signed off hundreds of valuations for a broad clientele, including private equity and venture capital funds, publicly listed and private groups, and state-owned enterprises, meeting the purpose of financial reporting, portfolio valuations, public listing and transactions, strategic restructuring, fundraising, litigation and dispute resolution, global tax compliance.

Throughout his career, Mr. Wong has gained client trust through navigating numerous challenging valuation agenda for high-profile projects led by renowned conglomerates, enterprises and organisations, and many listed groups in Hong Kong. His covers industries such as technology, media, and telecommunications, power utilities and renewable energy, automotive, banking and brokerage, venture capitalist and startups, biological and mining assets. Mr. Wong is awarded a lifetime member of the Beta Gamma Sigma Honour Society for his commitment on academic excellence in finance.

Keith Lui, *CFA, FRM*

Mr. Lui is a bachelor of science in quantitative finance and risk management science in university and has been working in the professional valuation field since 2013. Mr. Lui has been joining in business valuation industries for private and listed Company for the purposes of financial reporting, initial public offerings, mergers and acquisitions and financing since graduation. The scope of services includes business valuation, intangible asset valuation and financial instruments valuation.

He has participated in many representative projects, such as valuation of metal mining and processing in the PRC, oil and gas extraction in the United States and Canada, logistic hub in Singapore, container port in Brazil and household cleaning products in the United Kingdoms. The valuation reports prepared by Mr. Lui has been referenced by Hong Kong listed Company in their circulars, including Company in agriculture, mining, internet and real estate sectors.

Matthew Leung, *CPA, CFA, FRM*

Mr. Leung has over ten years of experience in the valuation of businesses and intangible assets. He has extensive experience in providing valuation and business consulting services to both public and private companies for financial reporting, tax, litigation support, and mergers and acquisitions.

He is also experienced in the valuation of intangible assets, including customer relationships, trademarks, franchise agreements, mining rights, and patents. His industry experience spans consumer and industrial products, real estate, technology and media, alternative energy, financial services, utilities and infrastructure, forestry, gaming, and mining. His clients include both private and listed companies based in China and Hong Kong.

The following is the text of a report received from the Reporting Accountants, Cheng & Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE BESTWISE ENVIROTECH LIMITED

TO THE DIRECTORS OF SFK CONSTRUCTION HOLDINGS LIMITED

Cheng & Cheng Limited (the "**Reporting Accountants**") have been engaged to report on the calculations of the discounted cash flows (the "**Discounted Cash Flows**") used in the valuation prepared by the Independent Valuer, Valtech Valuation Advisory Limited, in respect of Bestwise Envirotech Limited as at 31 December 2025 (the "**Valuation**"). The Reporting Accountants have reported that so far as the calculations are concerned, the Discounted Cash Flows have been properly compiled in all material aspects in accordance with the bases and assumptions as set out in the Valuation. The valuation based on Discounted Cash Flows is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Cash Flows

The directors of the Company are responsible for the preparation of the discounted cash flows in accordance with the bases and assumptions determined by the directors and set out in the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Discounted Cash Flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on whether the calculations of the Discounted Cash Flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the Discounted Cash Flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the Discounted Cash Flows are based and checking the arithmetic accuracy of the compilation of the Discounted Cash Flows. Our work does not constitute any valuation of the Bestwise Envirotech Limited.

Because the Valuation relates to Discounted Cash Flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the Discounted Cash Flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Cheng & Cheng Limited
Certified Public Accountants
Hong Kong, 18 September 2026

The following is the text of the letter from the Board which was prepared for the purpose of inclusion in this circular.

SFK Construction Holdings Limited
新福港建設集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1447)

18 September 2026

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place Central
Hong Kong

Dear Sirs,

Re: Profit forecast — Confirmation letter under the requirements of Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

We, SFK Construction Holdings Limited (the "**Company**") (stock code: 1447), refer to the circular of the Company dated 18 September 2026 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We refer to the valuation conducted by Valtech Valuation Advisory Limited (the "**Independent Valuer**"), an independent valuer, in relation to the valuation of 51% equity interest in Bestwise Envirotech Limited, as at 31 December 2025 (the "**Valuation Report**") is based. The Valuation Report adopts the discounted cash flow method under the income approach and is regarded as a profit forecast under Rule 14.61 of the Listing Rules. We have discussed with the Independent Valuer the different aspects upon which the Valuation Report was prepared (including the principal and commercial assumptions) and have reviewed the Valuation Report for which the Independent Valuer is responsible.

Pursuant to Rule 14.60A of the Listing Rules, we have also engaged Cheng & Cheng Limited, acting as the Company's reporting accountants, to report on the arithmetical accuracy of the calculations of the discounted cash flows, and considered the report from Cheng & Cheng Limited which was prepared in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) ''Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'' issued by the Hong Kong Institute of Certified Public Accountants, as set out in Appendix VI to the Circular.

On the basis of the above, we confirm that the Valuation Report prepared by the Independent Valuer and the profit forecast in the Valuation Report have been made after due and careful enquiry.

Yours faithfully,
On behalf of the Board
SFK Construction Holdings Limited
Chan Ki Chun
Chairman

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF SECURITIES INTERESTS

As at the Latest Practicable Date, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, the interests of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in the shares and underlying shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Mr. Chan Ki Chun	Sun Fook Kong Group Limited (the "**SFK Group**")	Interest in controlled corporation *(Note)*	97,599	3.54%

Note: Mr. Chan Ki Chun beneficially owns the entire issued share capital of Growth Asset Holdings Limited, a company incorporated in the British Virgin Islands with limited liability ("**Growth Asset**"). By virtue of the SFO, Mr. Chan Ki Chun is deemed to be interested in the 97,599 shares of SFK Group held by Growth Asset.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company has registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Long positions in the shares and underlying shares of the Company

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares, the underlying Shares or the debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of Shares (long position)	Approximate percentage of shareholding
SFK Group	Beneficial owner *(Note 1)*	300,000,000	75%
Good Target Limited (“**Good Target**”)	Interest of controlled corporation *(Notes 1 and 2)*	300,000,000	75%
Ocean Asset Holdings Limited (“**Ocean Asset**”)	Interest of controlled corporation *(Notes 1 and 2)*	300,000,000	75%
Mr. Lo Kai Shui (“**Mr. Lo**”)	Interest of controlled corporation *(Note 2)*	300,000,000	75%
Mr. Hu Liang Ming Raymond	Beneficial owner	22,000,000	5.5%
UBS Group AG	Interest of controlled corporation	21,999,999	5.5%

Note 1: SFK Group, a company incorporated in the British Virgin Islands with limited liability, is owned as to approximately 71.39% by Good Target, 18.94% by Ocean Asset, 3.54% by Growth Asset, 1.94% by Chief Champion Limited, 1.46% by Jemrick Holdings Limited, 1.06% by KSL Management Limited, 0.83% by LHS Management Limited, 0.46% by Worldrich Enterprises Limited, 0.22% by Easespeed Limited and 0.16% by Global Trinity Limited.

Note 2: Good Target, a company incorporated in the British Virgin Islands with limited liability, is beneficially and wholly owned by Mr. Lo. Ocean Asset, a company incorporated in the British Virgin Islands with limited liability is beneficially and wholly owned by Mr. Lo. By virtue of the SFO, Mr. Lo is deemed to be interested in the Shares held by SFK Group.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was pending or threatened against any member of the Group.

COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, the controlling Shareholders or their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business pursuant to Rule 8.10 of the Listing Rules.

MATERIAL CONTRACTS

As at the Latest Practicable Date, save for the Sale and Purchase Agreement and the Supplemental Agreement, no contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular which are, or may be, material.

DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which was not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

EXPERTS AND CONSENTS

The following are the qualification of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Cheng & Cheng Limited	Certified public accountants
Valtech Valuation Advisory Limited	Independent valuer

As at the Latest Practicable Date, the above experts have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its report(s) and/or letter(s) and/or opinion(s) and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above experts:

(i) were not beneficially interested in the share capital of any member of the Group;

(ii) did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group; and

(iii) did not have any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited accounts of the Company were made up.

GENERAL

(1) The secretary of the Company is Ms. Li Kwai Wah, who is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

(2) The registered office of the Company is situated at Richmond House, 12 Par-la-Ville Road, Hamilton HM 08, Bermuda. The head office and principal place of business of the Company is at 7/F, High Fashion Centre, 1–11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong.

(3) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(4) In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sfkchl.com.hk) from the date of this circular up to 14 days thereafter:

(a) the Sale and Purchase Agreement;

(b) the Supplemental Agreement;

(c) the amended memorandum of association and new bye-laws of the Company;

(d) the annual reports of the Group for the three years ended 31 December 2023, 2024 and 2025 and the interim report of the Group for the six months ended 30 June 2026;

(e) the accountants' report on the historical financial information of the Target Company prepared by Cheng & Cheng Limited, the text of which is set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Group prepared by Cheng & Cheng Limited, the text of which is set out in Appendix III to this circular;

(g) the Valuation Report, the text of which is set out in Appendix V to this circular;

(h) the report prepared by Cheng & Cheng Limited regarding the profit forecast, the text of which is set out in Appendix VI to this circular;

(i) the letter from the Board on the profit forecast, the text of which is set out in Appendix VII to this circular;

(j) the letters of consent referred to under the section headed "Experts and consents" in this appendix; and

(k) this circular.

As appendix 8 to the Sale and Purchase Agreement contains a list of 26 technical and core-management personnel of the Target Company and such list includes, among others, the Chinese and English full names of the relevant personnel of the Target Company (the "**Personal Information**"), the Company has applied to the Stock Exchange for, and the Stock

Exchange has granted, a waiver from strict compliance with Rule 14.66(10) and paragraph 43(2)(c) of Appendix D1B to the Listing Rules allowing the Company to redact the Personal Information in the Sale and Purchase Agreement to be displayed on the websites of the Stock Exchange and the Company based on the following grounds:

(i) the Personal Information relates to identifiable individual employees of the Target Company and constitutes personal data. Such information is not publicly available. The relevant personnel have not consented to the publication of their full names on the websites of the Company and the Stock Exchange. Public dissemination of the Personal Information would therefore involve the use and disclosure of such personal data beyond the Target Company's internal employment and operational purposes, and may constitute a possible breach of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong); and

(ii) the Personal Information is not material to an informed assessment of: (a) the assets and liabilities, financial position, profits and losses, business prospects or prospects of the Company or the Target Company; (b) the fairness and reasonableness, or financial impact of the Disposal; and (c) the nature and extent of the Vendor's obligations under the Sale and Purchase Agreement. The material terms of the Disposal have been disclosed in the Announcement and are also disclosed in this circular. The omission of the Personal Information is not likely to mislead investors or affect their informed assessment of the Company's securities or the Disposal.