SKYBLUE 11
天璽曜11有限公司

Sky Blue 11 Company Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

2025/2026
ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Li Weina
Dr. Zhang Yu [Note 1]
Mr. Phen Chun Shing Vincent

Independent Non-executive Directors

Ms. Ching Ching
Dr. Song Donglin [Note 1]
Mr. Wong Xiang Hong [Note 2]
Mr. Chan Ting Leuk Arthur [Note 3]
Mr. Hung Wai Che [Note 4]

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching *(Chairlady)*
Dr. Song Donglin [Note 1]
Mr. Wong Xiang Hong [Note 2]
Mr. Chan Ting Leuk Arthur [Note 3]
Mr. Hung Wai Che [Note 4]

Nomination Committee

Mr. Chan Ting Leuk Arthur *(Chairman)* [Note 3]
Ms. Ching Ching
Dr. Song Donglin [Note 1]
Mr. Wong Xiang Hong [Note 2]
Mr. Hung Wai Che [Note 4]

Remuneration Committee

Mr. Chan Ting Leuk Arthur *(Chairman)* [Note 3]
Ms. Ching Ching
Dr. Song Donglin [Note 1]
Mr. Wong Xiang Hong [Note 2]
Mr. Hung Wai Che [Note 4]

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael

STOCK CODE

1010

WEBSITE

www.skyblue11.com

AUDITOR

CLA Prism Hong Kong Limited
(formerly known as Prism Hong Kong Limited)
Certified Public Accountants

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
Dah Sing Bank, Limited

REGISTERED OFFICE

Richmond House
12 Par-la-Ville Road
Hamilton HM 08
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3902, 39/F., Central Plaza,
18 Harbour Road, Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Corporate
Services (Bermuda) Limited
Canon's Court, 22 Victoria Street,
PO Box HM 1179,
Hamilton HM EX Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Notes:

1 Retired on 6 June 2025.
2 Appointed on 26 February 2025 and resigned on 27 May 2026.
3 Appointed on 5 September 2025.
4 Appointed on 26 August 2026.

EXECUTIVE DIRECTORS

Ms. Li Weina, aged 41, was appointed as the executive director of the Company on 14 August 2020. She joined the Group from July 2019, and is taking the role of a vice president in human resource and administration. She obtained a bachelor degree in Marketing in Huaqiao University*（華僑大學）in 2007. She was employed as an administration and human resource manager and secretary to chief officer in Zhongxin Fengyue (Dalian) Limited*（中信豐悅(大連)有限公司）from 2010 to 2014, and a manager of the board office and secretary to chief officer in Zhongying Holding Group Limited*（中盈控股集團有限公司）from 2014 to 2019. She has extensive experience in human resource and administration management. She is the director of several subsidiaries of the Company.

Mr. Phen Chun Shing Vincent, aged 49, holds a bachelor degree in business administration and marketing from the University of North Texas. Mr. Phen has been an executive director of Taung Gold International Limited (stock code: 621) since 11 May 2017. From 2007 to 2009, he was employed at CLSA Capital Partners. From 2009 to 2012, Mr. Phen held the position of director at CMS Capital (HK) Co., Limited (formerly known as "CMTF Asset Management Limited"). From 2012 to 2015, Mr. Phen served as an executive director of China Merchants Capital Management (International) Limited. In addition, Mr. Phen served as (i) a non-executive director of Comtec Solar Systems Group Limited, a company listed on Main Board of The Stock Exchange (the "**Stock Exchange**") of Hong Kong Limited (stock code: 712), from 26 March 2010 to 20 September 2012; (ii) a non-executive director of EPI (Holdings) Limited, a company listed on Main Board of the Stock Exchange (stock code: 689), from 15 February 2016 to 19 October 2016; (iii) an executive director of China Partytime Culture Holdings Limited, a company listed on Main Board of the Stock Exchange (stock code: 1532), from 3 August 2017 to 3 April 2020; (iv) an independent non-executive director of Agritrade Resources Limited, which was listed on Main Board of the Stock Exchange but was delisted as of 31 January 2022, from 12 December 2017 to 8 June 2021 (stock code: 1131).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ching Ching, aged 47, was appointed as independent non-executive director of the Company on 23 June 2020. She obtained a Bachelor of Science in Business Administration (Finance and Management Information System) in University of Arizona (USA) in 2001 and an Executive Master of Business Administration Certificate in Fudan University in 2014. She is a Fellow member of both the Institute of Public Accountants Australia, Certified Management Accountant Australia, Institute of Financial Accountants (UK), the Association of International Accountants and the Royal Statistical Society. She is also a Professional Member of CACFO（中國總會計師協會）and the British Computer Society. She is currently the Financial Controller of First America Title Insurance Company, a company licensed by the Insurance Authority in Hong Kong. She has around 20 years of experiences in corporate finance, mergers and acquisition, and business valuation.

* For identification purposes only

Mr. Chan Ting Leuk Arthur, aged 45, has over 17 years of experience in business and technology development. Mr. Chan obtained a Master's Degree in Engineering Science from The University of New South Wales in 2004 and a bachelor's degree in Computing Science from Queen's University in 2003. Mr. Chan has entered into a letter of appointment with the Company for an initial term of 2 years, commencing on 5 September 2025.

He is a director of Fu Hoi Insurance Management Limited which is engaged in investment, business development and compliance. Mr. Chan served as an executive director of Global Strategic Group Limited, a company listed on GEM of the Stock Exchange from 13 May 2024 to 17 January 2025. He has also served as an independent non-executive director of Grown Up Group Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange since August 2022 and as an executive director of Jimu Group Limited, a company listed on GEM of the Stock Exchange since January 2025. He is also a co-founder and director of each of Micron Digital Corporation (HK) Limited, a company that leverages technology on motion sensors, and The Trend (HK) Holding Limited T/A EHUBS, a company focusing on medication delivery solutions in China.

Mr. Hung Wai Che, aged 50, has over 20 years of experience in the legal field. He graduated from the University of Wales, Aberystwyth, United Kingdom with Bachelor's Degree in Law with Honours. Since August 2016, Mr. Hung has been the independent non-executive director of Jakota Capital (Holding) Group (stock code: 1468), a company whose shares are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of Jimu Group Limited (stock code: 8187) from 30 December 2021 to 31 August 2026, a company whose shares are listed on GEM of the Stock Exchange.

CHIEF EXECUTIVE OFFICER

The position of the chief executive officer is currently vacant and its roles and functions are performed by all executive Directors collectively.

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael, from Khoo & Co., an external service provider, has been engaged by our Company as our company secretary ("**Company Secretary**") to support the Board. Mr. Ngai, aged 37, has extensive experience in the legal industry. He obtained a Bachelor of Laws degree and a postgraduate certificate in laws from the City University of Hong Kong in 2011 and 2012, respectively. Mr. Ngai is a practising solicitor in Hong Kong and is currently a partner of Khoo & Co. and the principal of Michael Ngai & Co. Mr. Ngai is currently the company secretary of several companies listed on the Stock Exchange.

A summary of the results, the assets, liabilities and total equity of the Group for the last five financial period/years, as extracted from the audited consolidated financial statements and this Annual Report of the Company for the eighteen months ended 30 June 2026, is set out below:

RESULTS

	Eighteen months ended 30 June 2026	Year ended 31 December			
	2024	2023	2022	2021	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**49,318**	36,034	113,970	181,076	105,619
(Loss)/profit before tax	**(65,548)**	(164,565)	(44,254)	3,406	(52,550)
Income tax expense	**(188)**	(548)	(2,193)	(5,642)	(290)
Loss for the period/year	**(65,736)**	(165,113)	(46,447)	(2,236)	(52,840)
Attributable to owners of the Company	**(65,736)**	(165,113)	(46,447)	(2,236)	(52,840)

ASSETS AND LIABILITIES

	30 June 2026	31 December 2024	31 December 2023	31 December 2022	31 December 2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**14,990**	35,433	41,473	38,795	43,154
Net current (liabilities)/assets	**(197,863)**	(162,763)	(42,462)	9,251	19,396
Total assets less current liabilities	**(182,873)**	(127,330)	(989)	48,046	62,550
Non-current liabilities	**–**	(655)	(1,990)	(881)	–
Net (liabilities)/assets	**(182,873)**	(127,985)	(2,979)	47,165	62,550
Shareholders' equity					
Share capital	**44,429**	44,429	37,025	37,025	37,025
Reserves	**(227,302)**	(172,414)	(40,004)	10,140	25,525
(Capital deficiency)/total equity	**(182,873)**	(127,985)	(2,979)	47,165	62,550

On behalf of the board of directors (the "**Director(s)**") (the "**Board**") of Sky Blue 11 Company Limited (the "**Company**"), I hereby report on the results of the Company and its subsidiaries (the "**Group**") for the eighteen months period from 1 January 2025 to 30 June 2026 (the "**eighteen months ended 30 June 2026**").

BUSINESS REVIEW AND OUTLOOK

During the eighteen months ended 30 June 2026, the principal businesses of the Group were i) the design and sales of integrated circuits ("**IC**") and semiconductors parts, ii) executive jet management, and iii) manufacturing and sales of yachts and other yachts related businesses.

Looking back the period, the global macroeconomic environment remained highly complex and volatile, shaped by geopolitical tensions, supply chain disruptions, commodity inflation, and continued uncertainty in global trade and monetary policy. When facing uncertainties on the economic outlook, consumer confidence remained weak and the consumer mood was anxious, cautious, and highly value-driven. As a result, the financial performance, especially on the business segments of the executive jet management and yacht businesses of the Group, was inevitably affected.

In response to the complicated and unpredictable business environment during the period, the Group adopted a prudent approach by closely monitoring its business portfolio and implementing various decisive measures to reform. Objectives of these measures were (i) to maintain the core business that can create reliable returns with competitive advantages; (ii) to exit from businesses that have not met expectations or might require further input from the Group; and (iii) to continuously seek opportunities that can enhance the Group's revenue bases and profitability.

On 24 December 2025, the Company's financial year-end date has been changed from December 31 to June 30. As a result, the current reporting period covers eighteen months, from 1 January 2025 to 30 June 2026.

It is important to note that the financial data presented here is being compared to the previous financial year 2024, which covered a year ended 31 December 2024 (i.e. 12-month period). When making year-on-year comparisons, the difference in duration between these two financial periods should be taken into account.

For the eighteen months ended 30 June 2026, the Group recorded a revenue approximately HK$49.3 million (twelve months ended 31 December 2024: approximately HK$36.0 million). No yacht was sold during the eighteen months ended 30 June 2026 (twelve months ended 31 December 2024: approximately HK$5 million). According to the Sales Market Report by IYC Yachts, the global yacht sales market experienced a continued decline during the eighteen months ended 30 June 2026. Overall yachts sales volume was down by 6% in 2025 and 8% in first half of 2026, respectively as compared with last relevant periods due to inventory levels increased that creating a buyer-driven market. Customers shifted focus toward the yacht with excellent condition and complete maintenance records. Also, business confidence remained pessimistic in Hong Kong and the People's Republic of China (the "**PRC**") sent the Group faced challenges in the yacht sales. For the business of design and sales of IC and semi-conductor parts, it was still shadowed by the weak customer demand, rendering its sales volume to further decrease. As a result, the Group recorded a revenue of approximately HK$49.3 million for the eighteen months ended 30 June 2026 (twelve months ended 31 December 2024: approximately HK$36.0 million).

General and administrative expenses were approximately HK$54.0 million for the eighteen months ended 30 June 2026 (twelve months ended 31 December 2024: approximately HK$39.4 million) that mainly comprised with professional fees and general office expenses. Finance costs were approximately HK$24.6 million for the eighteen months ended 30 June 2026 (twelve months ended 31 December 2024: approximately HK$16.0 million) that mainly arose from loans from third parties.

A loss for the period of approximately HK$65.7 million was recorded for the eighteen months ended 30 June 2026 (twelve months ended 31 December 2024: approximately HK$165.1 million), which mainly due to fair value losses on investment properties of approximately HK$19.8 million (twelve months ended 31 December 2024: approximately HK$1.7 million), which were non-cash in nature; and finance costs of approximately HK$24.6 million (twelve months ended 31 December 2024: approximately HK$16.0 million).

Nevertheless, the management of the Group (the "**Management**") will consistently reinforce the Group's competitive advantages, strengthen its market position and drive growth across the existing businesses of the Group. Such measures include but not limited to stringent cost controls on the business of IC and semi-conductor parts, platform building on the business of executive jet management services and active marketing and branding in the yacht businesses.

The Management would like to emphasise that reforming the Group's business is a continuous and ongoing process. New measures or strategies may be formulated or implemented from time to time, depending on availability and feasibility of the opportunities. Should there be any update, the Company will inform its shareholders as soon as appropriate.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express our appreciation to the Management and staff of the Group for their commitment and dedication and sincere gratitude to the shareholders for their continued confidence in and support of the Group.

For and on behalf of the Board of
Sky Blue 11 Company Limited

Li Weina
Executive Director

Hong Kong, 28 September 2026

Set out below is a management discussion and analysis of the Group for the eighteen months ended 30 June 2026.

SEGMENT REVIEW

Design and sales of integrated circuit and semi-conductor parts

Design and distribution of IC and semi-conductor parts in the PRC, Hong Kong and Taiwan remained as one of the important part of the businesses of the Group. The Group acquires raw material IC and semi-conductor related parts from external suppliers and applies internet technology and related equipment for the design of IC related products before outsourcing to external sub-contractors for production. The Group is not involved in the manufacturing processes.

The Group's IC products are used in industrial and housing measuring tools and electronic bicycles battery charger market. The core research and development team in Shanghai provides the design of the products and the products are then outsourced to certain external suppliers or sub-contractors for subsequent productions. After conducting successful testing of the sub-contracted products in Shanghai, the Group then sells the products to customers, which are usually end-product manufacturers/producers.

There are mainly two types of products in IC and semi-conductor parts: caliper and microcontroller unit ("**MCU**"), each of the products has approximately 10 different models. The total product mix between caliper and MCU remained relatively stable during the eighteen months ended 30 June 2026.

For the eighteen months ended 30 June 2026, this segment recorded (i) a revenue of approximately HK$49.3 million (twelve months ended 31 December 2024: approximately HK$31.0 million); and (ii) a loss of approximately HK$0.6 million (twelve months ended 31 December 2024: approximately HK$0.1 million). The Management noticed that competition in the IC market was becoming more intensive as a result of rapid technological advancement, increasing production costs and evolving customers' demands and favors, which exerted further pressure on profit margins.

Executive jet management

Services provided by the Group mainly include executive jet management service, aircraft sales service and pilot training service. Nil revenue was recorded for the eighteen months ended 30 June 2026 due to loss of clients and the change of their traveling behavior after the COVID-19 pandemic (twelve months ended 31 December 2024: Nil). In this regard, the Management is considering several options to deal with this business segment, including but not limited to, disposal. Further disclosure will be made as and when necessary.

Yacht businesses

Yacht sales experienced a challenge due to rising labor and material costs, in addition to prolonged construction timelines, which adversely affected market demand. Following the cancellation of a purchase order for five 46-meter superyachts in 2023, the Group has encountered difficulties in attracting new buyers.

As a result, nil revenue and segment loss of approximately HK$10.4 million were recorded for the eighteen months ended 30 June 2026, while revenue of approximately HK$5.0 million and segment loss of approximately HK$139.8 million were recorded for the twelve months ended 31 December 2024.

To support the yacht business, the Group intends to market the work-in-progress superyachts to potential clients and industry partners. Concurrently, to mitigate business risks, the Management will focus on transitioning from a capital-intensive business model to a more asset-light, service-oriented approach. The Group will continue to monitor market conditions, secure necessary funding, and explore opportunities for synergistic ventures, as well as evaluate potential mergers and acquisitions, all aimed at significantly enhancing the Group's financial performance and operational efficiency.

Property investment

The Group possessed a leasehold interest on a land parcel in Saipan, with a site area of approximately 4,536 square meters upon which there is a housing development namely Miller's Estates. The total gross floor area of these properties in Saipan was approximately 1,953 square meters within six apartment buildings containing an aggregate of 31 apartment units.

The economy of Saipan depends heavily on tourism which was adversely affected by the COVID-19 pandemic. Till now, the tourism still yet recovers from the shadow of COVID-19 pandemic although the local government has been working on resumption of its tourism industry. Number of tourists merely 1/5 of prior to the COVID-19 pandemic level, tourists from key markets, such as Japan and South Korea are declining due to reduce or suspend direct flight routes. The collapse in tourism deeply affects the economy of Saipan and results a dropping population and workforce according to the Department of Commerce of the Northern Mariana Islands, which includes Saipan.

In the face of rapid deteriorating economic situation, the Management conducted a specific site visit in Saipan to investigate the actual effect of the local economy on the Group's asset there during the eighteen months ended 30 June 2026. The Management has also engaged an independent professional qualified valuer to assess the economic value of the land and the properties built thereon based on current market value and their conditions and assessed that the fair value of the land parcel was diminished by approximately HK$19.8 million to approximately HK$7.4 million as at 30 June 2026 compared with approximately HK$27.2 million as at 31 December 2024. For the eighteen months ended 30 June 2026, nil revenue and segment loss of approximately HK$19.8 million were recorded, while nil revenue and segment loss of approximately HK$1.8 million were recorded for the twelve months ended 31 December 2024. In view of the prolonged and disappointing situation, the Group is actively considering and exploring all possible options including but not limited to, disposing the properties, in order to release the Group's resources for higher rate of return investment or operations.

Investment holding

For the eighteen months ended 30 June 2026, the Group had the following investment:

- 23,000,000 unlisted shares of Cornerstone Securities Limited ("**Cornerstone Securities**"), representing approximately 8.81% of the entire issued capital of Cornerstone Securities. Cornerstone Securities is a company incorporated in Hong Kong with limited liability. It holds licenses to conduct the type 1 regulated activity (dealing in securities) and the type 4 regulated activity (advising on securities) and is principally engaged in securities dealing business in Hong Kong. As at 30 June 2026, the investment in Cornerstone Securities has a fair value of approximately HK$6.0 million (31 December 2024: approximately HK$5.5 million), representing approximately 2.9% (31 December 2024: 2.4%) of the total assets of the Company.

For the eighteen months ended 30 June 2026, (i) no acquisition or disposal of the investment in Cornerstone Securities was conducted; and (ii) no dividend in relation to the investment in Cornerstone Securities was received or claimed. The Company intends to hold the investment in Cornerstone Securities as a passive and long-term investment as at 30 June 2026.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations, financials and prospects are affected by risks and uncertainties. Based on a review on the operation and environment of the Group's businesses, the risk factors listed below may directly or indirectly lead to significant differences in the Group's operating performances, financial positions and development prospects from its expected or past performances. These factors are not comprehensive, and there may be other risks and uncertainties that are not known by the Group or may not be noticeable at present, but may become significant in the future.

Business Risk

The Group's businesses are subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which it operates.

Performance of all business segments of the Group may be affected by fluctuations in market prices and market demands of the Group's final products and services. Some products, for example, IC and semi-conductor parts manufactured by the Group, have a relatively standardised design and/or predetermined production cycle, and therefore may not be able to meet changeable requirements of the customers. On the other hand, the executive jet management services and the yacht businesses are subject to price and quality competitions from other service providers and yacht manufacturers. If the Group fails to adapt and respond successfully, it may adversely affect the business performance and development prospects.

Raw materials or outsourced services which are provided by the Group's suppliers are subject to price fluctuations. The Group does not enter into any material contracts to hedge against such price fluctuations. Therefore, any increases in these raw materials or outsourced services will exert pressures on the Group's costs, gross profits and final prices that the Group in turn charges the customers. Should there be any significant increases in the prices of raw materials or outsourced services which are out of the Group's expectation over a period, the Group's performances would be significantly affected.

Industry Risk

All business segments of the Group are operated in industries which are highly competitive. Competition may intensify as the Group's competitors expand their products or services, lower their prices, or strengthen their qualities. There may be new competitors entering into the Group's existing markets as well. If the Group does not compete successfully against existing and new competitors, the Group may not be able to maintain its existing business scale and operating performance.

Policy Risk

Some business segments of the Group must abide by various policies and regulations. For example, the executive jet management business and the yachting businesses are all subject to intensive compliance requirements. Central and local regulators may require the Group to apply for new licenses, and impose new rules, regulations or requirements. Changes in policies and regulations will affect the development of the Group's business, such as increasing compliance costs and reducing business opportunities.

Credit Risk

All business segments of the Group allow a certain credit term for the customers. All trade and other receivables are accounted for by their carrying amounts less expected credit loss. However, such amounts do not represent the Group's maximum exposure to credit risk. On the other hand, the Group has certain long-term equity investments in listed companies in Hong Kong. All the Group's financial assets, including trade and other receivables and equity investments, are subject to credit risk. Save for their own performances of each individual customer and each investment, there are a lot of factors which can affect their credit risks, such as the general economy, government policies and investor confidences.

Other Risks

Some risks are not noticeable from the daily operations of the Group, but they can have a material adverse impact on the Group. Fluctuations in demand for luxury goods, such as yachts, can be impacted by economic cycles, consumer sentiment, and changes in disposable income of potential buyers. For the eighteen months ended 30 June 2026, the operations of the Group were significantly influenced by the changes in environmental regulations related to yacht emissions, disposal, and recycling may result in higher operational costs and such may deteriorate other risks and uncertainty that the Group are facing, such as an increase in credit risk. Given the complexity, materiality and unpredictability of these events, the Group is of the view that their impacts may take a longer time to fully emerge. For a comprehensive risk management, engaging with legal, financial, and industry-specific experts help address these challenges effectively.

FINANCIAL REVIEW

Revenue

For the eighteen months ended 30 June 2026, the Group recorded a revenue of approximately HK$49.3 million (twelve months ended 31 December 2024: approximately HK$36.0 million). The revenue was principally contributed by the Group's core business, i.e. the design and sales of IC and semi-conductor parts.

Other income and losses, net

Net other losses was approximately HK$18.1 million for the eighteen months ended 30 June 2026 (twelve months ended 31 December 2024: approximately HK$1.4 million). Such significant increase was mainly due to recognition of fair value losses on investment properties of approximately HK$19.8 million (twelve months ended 31 December 2024: approximately HK$1.7 million), which were non-cash in nature.

General and administrative expenses

General and administrative expenses was approximately HK$54.0 million for the eighteen months ended 30 June 2026 (twelve months ended 31 December 2024: approximately HK$39.4 million). Such increase was mainly due to the eighteen months financial period effect.

Loss for the period

For the eighteen months ended 30 June 2026, loss for the period attributable to owners of the Company was approximately HK$65.7 million (twelve months ended 31 December 2024: approximately HK$165.1 million). Such improvement was mainly attributable to substantially decrease in net impairment of trade and bills receivables from approximately HK$67.5 million for the twelve months ended 31 December 2024 to approximately HK$0.4 million for the eighteen months ended 30 June 2026 and net provision for impairment of inventories from approximately HK$58.7 million for the twelve months ended 31 December 2024 to approximately HK$3.1 million for the eighteen months ended 30 June 2026. Basic loss per share attributable to ordinary equity holders of the Company was approximately HK14.80 cents (twelve months ended 31 December 2024: approximately HK37.45 cents).

Liquidity and financial resources

As at 30 June 2026, the cash and bank balances of the Group amounted to approximately HK$28.6 million (31 December 2024: approximately HK$28.5 million), in which a cash deposit of approximately RMB5.6 million (31 December 2024: approximately RMB5.6 million), equivalent to approximately HK$6.5 million (31 December 2024: approximately HK$6.1 million), maintained in one of the bank accounts of the Group was frozen as a result of a ruling in respect of preservation of frozen accounts receivable issued by The People's Court of Longgang District, Huludao City in the PRC on 11 April 2023 (the "**Ruling**"). Such Ruling was against one of the suppliers of the Group, namely Liaoning Jinlong Mega Yacht Manufacturing Co. Limited ("**Jinlong**"), for its failure to repay a loan borrowed from a bank in the PRC. For more details, please refer to the announcement of the Company dated 28 April 2023. As of the date of this Annual Report, the Group's legal adviser is still dealing with the above-mentioned matters, and there is no new progress for the time being.

The Group had outstanding loans amounted to approximately HK$153.9 million as at 30 June 2026 (31 December 2024: approximately HK$124.7 million).

Save for the above, the Group had no fund-raising activities during the eighteen months ended 30 June 2026.

Gearing ratio

The gearing ratio of the Group, defined as total interest-bearing liabilities expressed as a percentage of the total equity and liabilities, was 73.7% as at 30 June 2026 (31 December 2024: 54.8%), which was attributed to the Group's net liabilities position.

Foreign currency exposure

The Group's results were exposed to exchange fluctuations of Renminbi ("**RMB**") as the Group had operations in the PRC. Certain materials used in the IC and semi-conductor parts and the cost of a yacht were settled in US dollars ("**US$**"), which exposed the Group to exchange fluctuations of US$-RMB. Nevertheless, the Board considered that the Group in general was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

Capital structure

For the eighteen months ended 30 June 2026, there was no change to the authorised share capital of the Group.

As at 1 January 2025 and 30 June 2026, the Company has issued a total of 444,294,170 shares in the par value of HK$0.1 each. All shares are fully paid and rank pari passu with each other in all respects.

As at 30 June 2026, the shareholders' deficiency amounted to approximately HK$182.9 million (31 December 2024: approximately HK$128.0 million).

Pledge of assets

As at 30 June 2026, the Group did not have any pledge of assets (31 December 2024: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed in this Annual Report, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the eighteen months ended 30 June 2026.

MATERIAL COMMITMENT

As at 30 June 2026, the Group did not have any material commitment (31 December 2024: Nil).

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2026 (31 December 2024: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2026, the Group had approximately 34 employees (31 December 2024: 36 employees). For the eighteen months ended 30 June 2026, total employee benefits expenses, including directors' and senior management's emoluments, amounted to approximately HK$32.3 million (twelve months ended 31 December 2024: approximately HK$27.8 million). The remuneration packages of employees are reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages include basic salaries, bonus, contributions to provident fund and medical benefits.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the eighteen months ended 30 June 2026 (twelve months ended 31 December 2024: Nil).

INTRODUCTION TO THE REPORT

This Environmental, Social and Governance Report (the "**Report**") provides an overview of the initiatives, plans and performance of Sky Blue 11 Company Limited (the "**Company**", "**Sky Blue 11**", the "**Group**" or "**We**", together with its subsidiaries) in Environmental, Social and Governance ("**ESG**") and demonstrates its commitment to sustainable development.

REPORTING PERIOD

This Report covers the period from 1 January 2025 to 30 June 2026 (the "**Reporting Period**"). As announced by the Group, the financial year-end date of the Company has been changed from 31 December to 30 June. Consequently, the current reporting period covers an extended 18-month period from 1 January 2025 to 30 June 2026 ("**FY2025/26**"), whereas the comparative figures presented in this Report cover a 12-month financial year from 1 January 2024 to 31 December 2024 ("**FY2024**").

As FY2025/26 covers 18 months and FY2024 covers 12 months, the absolute figures and per-employee intensity figures presented for the two periods are not directly comparable without adjustment for the different reporting periods. The Group has therefore explained the reporting-period difference alongside the relevant data and will continue to improve the comparability of its disclosures.

REPORTING SCOPE

The Group's head office is in Hong Kong, and it has operating subsidiaries in the People's Republic of China (the "**PRC**"). The Group's core business principally includes (i) integrated circuit and semiconductor components design and sales; ii) executive jet management services; (iii) manufacturing and sales of yachts and other yacht-related businesses; and (iv) property investment.

During the Reporting Period, the environmental data includes only the PRC office but not the Hong Kong office. The electricity and water bills in the Hong Kong office have been included in the property management and administrative fees, and such data cannot be obtained.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the ESG Reporting Code as set out in Appendix C2 to the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

REPORTING PRINCIPLES

During the preparation of this ESG Report, the Group has applied the Reporting principles stipulated in the ESG Reporting Code as follows:

- *"Materiality"* – A materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for preparing this ESG Report. The materiality of issues was reviewed and confirmed by the Board. Please refer to the sections headed "Engaging Stakeholders" for further details.

- *"Quantitative"* – Supplementary notes are added along with quantitative data disclosed in this ESG Report to explain any standards, methodologies, and sources of conversion factors used to calculate environmental key performance indicators ("**KPIs**").

- *"Balance"* – This Report aims to provide a holistic and fair view of the sustainability performance of the Group and has not omitted any information related to material ESG topics.

- *"Consistency"* – The approach adopted for preparing this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies[1].

Notes

1. Due to the change of the Group's financial year-end date from 31 December to 30 June, the current reporting period covers an extended 18-month period (1 January 2025 to 30 June 2026), whereas the comparative metrics for FY2024 cover 12 months (1 January 2024 to 31 December 2024). Consequently, absolute operational and environmental metrics between the two periods are not directly comparable. Where applicable, intensity metrics or relevant explanations have been provided to facilitate meaningful comparison.

FORWARD-LOOKING STATEMENTS

This ESG Report contains forward-looking statements which are based on the current expectations, estimations, projections, beliefs, and assumptions of the Group about the business and the markets in which it operates. These forward-looking statements are not guarantees of future performance and are subject to market risks, uncertainties, and factors beyond the control of the Group. Therefore, actual outcomes may differ from the assumptions made and the statements contained in this ESG Report.

CONFIRMATION AND APPROVAL

This ESG Report was endorsed by the ESG Working Group and approved by the Board on 28 September 2026.

CONTACT US

Your feedback is valuable to our continuous improvement, and we welcome any comments and suggestions you may have on this ESG Report or our future ESG strategy in general. Please share any comments or suggestions regarding the Group's ESG performance by email to us at admin@skyblue11.com.

ESG GOVERNANCE STRUCTURE

The Board – Decision-making Level

- Evaluate ESG-related risks and opportunities
- Formulate ESG management approaches, strategies, priorities and goals
- Regularly review ESG-related targets
- Review the disclosures in the ESG Report
- Oversee all ESG issues

ESG Working Group

- Collect and analyse ESG data and evaluate the effectiveness of policies and procedures
- Identify and assess material climate-related issues, risks (physical/transition) and opportunities that may affect the business
- Ensure the implementation of plans to achieve ESG targets
- Ensure compliance with relevant ESG laws and regulations
- Support the preparation of the annual ESG Report
- Report the progress, risks and mitigation plans of ESG-related issues to the Board on a regular basis

THE BOARD STATEMENT

The Board, being ultimately responsible for monitoring the Group's ESG issues, including ESG management approach, strategy, and policies, holds a crucial role in ensuring effective oversight. To comprehensively manage the Group's ESG performance and proactively identify potential risks, the Board conducts materiality assessments, when necessary, with the assistance of the ESG Working Group. These assessments evaluate and prioritise material ESG-related issues, considering the opinions of stakeholders. Additionally, the Board reviews the progress made against ESG-related goals and targets, establishing a direct connection between these goals and targets and their relevance to the issuer's businesses.

The ESG Working Group ("Working Group")

The ESG Working Group was established with key members from various departments, approved by the Board, to help assess risks and implement policies effectively. Its main tasks include collecting and analysing ESG data for reporting, monitoring performance, and ensuring compliance with regulations. The Working Group discusses important ESG topics and incorporates these concerns into strategy development for managing risks and seizing opportunities. By analysing information, it sets ESG goals as part of sustainable development, turning challenges into opportunities through effective policies. Additionally, the Working Group reports to the Board regularly to help assess ESG risks and opportunities, evaluate internal controls, and track progress toward goals.

STAKEHOLDER ENGAGEMENT

The Group is dedicated to fostering a sustainable approach within its ESG strategies to enhance performance in environmental protection and social responsibility. Valuing the input from stakeholders, the Group actively seeks to understand, respond to, and address the primary concerns of various stakeholders through close communication. To facilitate effective communication and incorporate stakeholder feedback into sustainable management and ESG strategy development, a wide array of communication channels has been established.

When formulating operational and ESG strategies, the Group considers stakeholders' expectations through diverse engagement methods and communication channels. These methods and channels are outlined below:

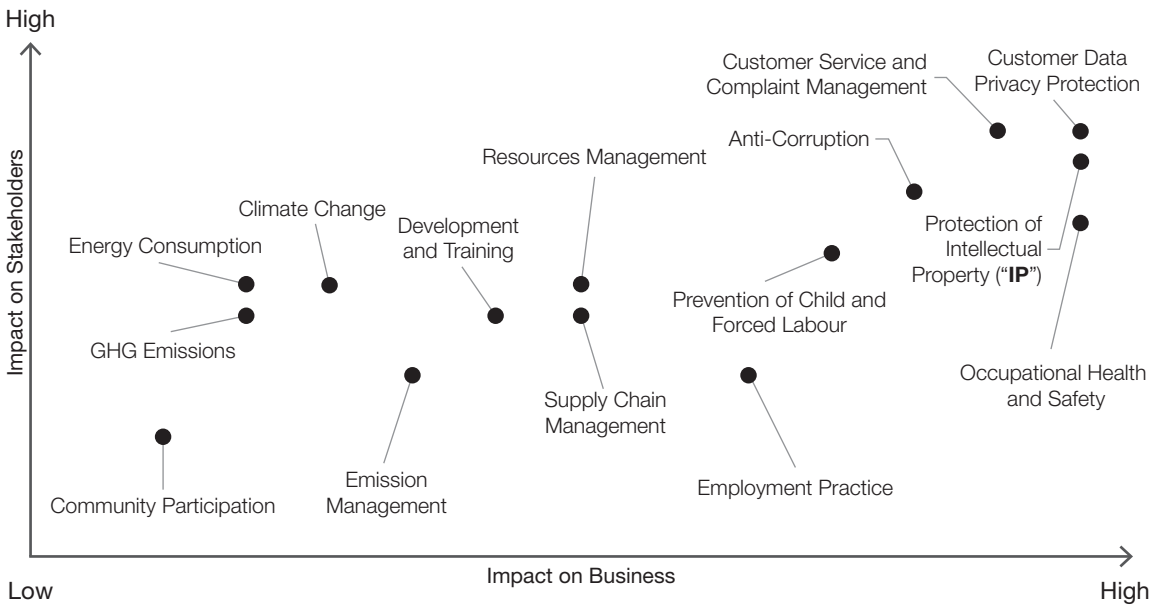
Stakeholders	Communication channels	Expectations
Employees	• Employee Activities • Professional Training • Performance Appraisal • On-site meetings and discussions	• Health and Safety • Equal Opportunities • Compensation and Benefits • Career Development • Legal rights and interests
Customers	• Customer Satisfaction Surveys • Customer Service Center • Complaints Review Meeting • Hotline • Emails and Website	• Quality Services • Personal Safety • Compliant Operation • Privacy Protection • Seamless Communication
Suppliers	• Supplier Meetings and Events	• Contract Performance • Business Ethics
Investors and Shareholders	• Annual General Meeting • Special Report • Financial Reporting • Announcements and Circulars	• Compliant Operation • Information Disclosure • Financial Performance • Corporate Governance • Involvement in the decision-making process
Government and Regulators	• Written or electronic correspondences	• Compliance with Regulations • Security Operations
Community, NGOs, and Media	• Public and Community Events • Community Investment Programs • ESG Reports	• Transparent information disclosure

MATERIALITY ASSESSMENT

In addition to referencing its business development strategy and industry practices, the Group also identified a list of ESG issues and prepared a questionnaire based on the results of the material assessments in the previous year. Thanks to the questionnaire, the Group's relevant stakeholders and management and staff of major functions can assist in reviewing the operations and identifying relevant ESG issues and assessing the importance of such issues to the Group's business and its stakeholders.

Material issues in this Report refer to what may have a significant impact on the Group's business operations or have an actual impact on stakeholders. The Group has analysed and presented the results of the survey as a materiality matrix. The materiality assessment results are ultimately reviewed by the Board and senior management to ensure that they are consistent with the Group's business nature and broadly represented. It will be used as an important reference for future strategies, targets, and information disclosure. The following matrix is a summary of the Group's material ESG issues during the Reporting Period:

MATERIALITY MATRIX OF THE GROUP



RESPONDING TO CLIMATE CHANGE

CLIMATE GOVERNANCE

Board Oversight

The Board bears overall oversight responsibilities for climate-related risks and opportunities, with its authority, roles and accountabilities in relation to ESG and climate governance clearly defined under the Group's corporate governance framework.

The Board considers a broad spectrum of climate-related risks and opportunities in setting the Group's strategic direction, and ensures these factors are fully integrated into its oversight of strategy, major transactions, and policies. ESG considerations and stakeholder expectations are fully embedded in decision making by regularly assessing whether proposed transactions, and controls and mitigation measures align with the Group's climate commitments. The Board balances short-term financial implications with long-term resilience to support informed, forward-looking decisions that enable sustainable performance.

The ESG Working Group reports to the Board at least annually on climate-related risks and opportunities. In addition to the annual formal report, the Board receives ad-hoc updates on material climate-related events, regulatory changes and emergency risks as they arise, and holds dedicated climate strategy sessions at least annually. The Board further oversees the development of climate-related targets, ensuring they are grounded in credible data, aligned with strategic priorities, and supported by clear execution plans. It reviews progress against these targets on a regular basis and raises queries where gaps or delays arise. Although climate-related performance indicators have not yet been incorporated into remuneration policies, the Group's commitment to achieving its climate objectives remains fully intact.

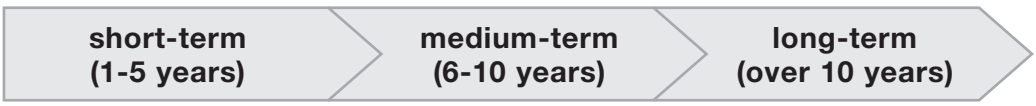
The day-to-day management of climate-related risks and opportunities is delegated to the ESG Working Group, which is chaired by the company secretary of the Company and comprises representatives from different departments. The ESG Working Group reports directly to the Board, which reviews its climate goal annually. Internal controls and review mechanisms are integrated into the operations of business units. These include periodic climate-related risks assessments, as well as cross-functional reviews of regulatory and market developments.

To support the implementation of the Group's climate-related strategies, the skills and competencies of the Board and members in the ESG Working Group are regularly assessed against market standards to ensure that they remain sufficient and up-to-date over time. All Directors and members of the ESG Working Group are briefed on sustainability matters through updated materials as appropriate. The Board is kept informed of emerging ESG developments, including energy policies, regulatory updates, and evolving market best practices. Relevant ESG materials and insights are made available to support Directors and senior management.

STRATEGY

The Group continuously monitors global and local policy trends and action progress in addressing climate change. Drawing on internationally mainstream climate scenario analysis frameworks, it identifies, assesses and addresses climate-related risks and opportunities that may affect business operations and the value chain.

We integrate climate-related considerations into corporate strategy and business planning and clearly define the scope of impacts across three time horizons: short-term (1-5 years), medium-term (6-10 years) and long-term (over 10 years). This ensures that climate risk management is aligned with the Group's sustainable development strategy.



We screen and identify climate-related risks and opportunities by comprehensively considering the Group's business model and value chain, industry practices, and outcomes of stakeholder engagement. We clarify the concentration of such risks and opportunities across the Group's own operations and value chain, establish a risk and opportunity inventory, and conduct ongoing monitoring and management efforts.

Managing Climate-related Risks and Opportunities

Climate change presents both risks and opportunities. We take a balanced approach that considers potential positive and negative impacts, enabling us to maximise value while minimising adverse effects on our business.

Physical Risks, Transition Risks and Opportunities

We categorise climate-related impacts into physical risks, transition risks and opportunities that are reasonably expected to affect our cash flows, access to finance, or cost of capital.

Physical risks: These include acute events–such as extreme heat, rainfall, storms and other natural disasters–that may disrupt our supply chain and infrastructure, as well as chronic changes like rising sea levels and shifting climate patterns that could affect long term business viability.

Transition risks: They stem from the global shift toward a low carbon economy, including more stringent laws and regulations on environmental protection, carbon emission and waste generation. Technological developments and changing market preferences for green companies may require adjustments to our business model and operations. These changes may lead to increased risks of regulatory non-compliance resulting in legal, technological, market and reputational risks.

Opportunities: The transition to a low-carbon business model may bring us opportunities. Growing ESG awareness among consumers gradually shapes the market as preferences shift toward more responsible businesses. Efforts to improve energy efficiency and reduce waste not only lower operating costs in the short-term but also help streamline and optimise operations over the medium term. Emerging low-carbon markets are expected to mature within the next three to ten years, creating new opportunities for growth and innovation. By actively disclosing ESG performance and taking concrete action, we can enhance our reputation, attracting new capital and customers.

Effects on Business Model and Value Chain

The ESG Reporting Code's implementation reliefs have been applied in this section:

	Reasonable Information Relief	Commercial Sensitivity Relief	Financial Effects Relief
Current financial effects			Yes
Anticipated financial effects	Yes	Yes	Yes
Metrics in cross-industry categories	Yes		

The Group has identified the following risks and opportunities on its business model and value chain:

Risk Type	Description	Effects on Business Model	Effects on Value Chain	Qualitative Financial Impact
Physical Risks				
Acute Risk Time Horizon: Short to long term	Increased severity of extreme weather • Extreme heat • Rainfall/flooding • Tropical cyclones	• Road closures and severe weather disrupt executive jet flight schedules, shipyard/yacht manufacturing operations, and IC supply chain logistics in urban areas, lowering operational efficiency • Impairs safety of field engineers, shipyard workers, and flight crew during outdoor/ maritime operations	• Interrupts upstream & downstream semiconductor raw materials, electronic components, aviation fuel, and yacht manufacturing supply chains • Increases maintenance & servicing costs for yacht manufacturing machinery, executive jets, testing equipment, and corporate property facilities	Financial Impact: Asset value The impact is low considering extreme weather may cause short-term revenue losses due to service interruptions and higher repair/ maintenance costs for industrial machinery, aviation/marine fleets, and investment property.
Chronic Risk Time Horizon: Mid-to-long term	Variability in climate and precipitation patterns • Shifts in precipitation and seasonal patterns	• Physical damage to yacht manufacturing facilities, IC testing equipment, fleet hardware, and headquarters/branch office equipment • Requires adjustment in facility cooling and environmental controls for IC design labs, component storage, and shipyard assembly facilities	• Potential for long-term reduction in material durability, impacting shipyard, aircraft, and property upkeep costs • Increase insurance premium expenses for flight crews, shipyard personnel, executive jets, and real estate assets	Financial Impact: Operating Cost Overall impact is Low to Medium, mainly driven by elevated electricity costs for IC testing cleanrooms, shipyard climate control, office energy use, and long-term asset maintenance.

Risk Type	Description	Effects on Business Model	Effects on Value Chain	Qualitative Financial Impact
Transition Risks				
Regulatory Risks Time Horizon: Mid-to-long term	• Increased carbon pricing • Mandatory reporting obligations • Regulation of existing products and services • Exposure to environmental compliance, aviation emissions standards, hazardous substance rules, and statutory safety regulations	• Increases regulatory requirements on carbon pricing • Retires existing high-emission executive aircraft, machinery, and legacy equipment early due to policy changes • Changes in environmental and energy efficiency standards for IC product testing, shipyard operations, and corporate fleet • Increases costs on adopting new eco-friendly yacht manufacturing materials, low-VOC coatings, and eco-certified electronic components for compliance	• Raises compliance standards for procurement of fleet vehicles, executive aircraft, IC testing equipment, and shipyard manufacturing machinery • Requires reassessment of partnership risks with high-emission vendors and suppliers	Financial Impact: Operating cost The impact is low to medium considering the cost of compliance may grow with time as low-carbon mandates tighten.
Market Risks Time Horizon: Mid-to-long term	• Changing consumer behaviour • Unpredictable market demand • Fluctuations in traditional energy and electricity prices	• Changes input prices (e.g. legal, compliance, and green material expenses) • Increases output requirements (e.g. on carbon emission control, recyclable materials in yacht manufacturing, and energy efficiency in IC design and properties)	• Disrupts existing upstream and downstream partnerships as procurement shifts toward eco-friendly raw materials, energy-efficient electronic components, and low-emission machinery/fuels	Financial Impact: Revenue The impact is low to medium considering our industry. The cost of compliance may grow with time.

Risk Type	Description	Effects on Business Model	Effects on Value Chain	Qualitative Financial Impact
Reputational Risks Time Horizon: Mid-to-long term	• Criticism of industry sector • Negative stakeholder feedback	• Increases the difficulty of talent retention and workforce planning (especially for specialized IC design engineers, aviation crew, and skilled shipyard technicians) • Lowers ability to attract capital	• Reduce demand for goods and services throughout the value chain if environmental performance, aviation decarbonization, or product sustainability fails to meet client expectations	Financial Impact: Operating cost The impact is low considering strong ESG performance enhances brand premium and capital market access.

Opportunity Type	Description	Effects on Business Model	Effects on Value Chain	Qualitative Financial Impact
Efficiency Gains Time Horizon: Short to long term	• More efficient and diverse service offerings • Savings from optimising resources • Energy and water efficiency • Use of new technologies	• Improve efficiency from flexible work arrangements during extreme weather • Improve profit margins • Benefits of employee health, satisfaction, and productivity • Adoption of energy-efficient IC design software, low-emission shipyard equipment, smart property energy systems, and sustainable aviation options significantly lowers operational energy, raw material waste, and maintenance costs	• Increases capacity and resource utilisation throughout the value chain • Reduce operational costs due to upstream improvements in energy-efficient manufacturing machinery, advanced semiconductor tools, and eco-certified materials	Financial Impact: Operating cost The impact is medium considering fleet and facility electrification/automation, along with energy-efficient IC testing and shipyard equipment, yields direct savings in operating fuel, energy, and maintenance.

Opportunity Type	Description	Effects on Business Model	Effects on Value Chain	Qualitative Financial Impact
Market Opportunities Time Horizon: Short to long term	• Seizing national and local policy support for green building, decarbonisation, eco-friendly luxury maritime transport, low-emission aviation, and energy-efficient electronics • Opportunity to expand geographically	• Captures premium market share by offering eco-friendly yacht designs, low-power IC components, sustainable aviation management, and green investment property management to commercial, industrial, and high-net-worth clients • Diversifying revenue streams through energy-efficient IC products, hybrid/electric yacht models, and sustainable aviation charter services	• Fosters maturity of the entire value chain via expanded product and service offerings	Financial Impact: Revenue The impact is medium to high. Securing green technology, sustainable maritime/aviation demand, and energy-efficient property solution demand acts as a core growth driver for Skyblue11's core business segments.
Consumer Preference Time Horizon: Short to long term	• Changes in consumer behaviour and expectations	• Opens up new revenue streams from eco-friendly yacht manufacturing, green IC design solutions, sustainable executive jet aviation, and smart property management services • Increases market share of green companies	• Incentivizes sustainable innovation across the supply chain driven by downstream client expectations	Financial Impact: Operating cost The impact is medium. Satisfying green preferences boosts client acquisition while optimising operational efficiency.

Strategy and Decision-Making

Based on the findings of the above analysis, we have formulated the following adaptation and mitigation measures to tackle physical risk, transition risks, and opportunities:

Type	Adaptation and Mitigation Measures
Acute Physical Risks	• Conduct regular drills to test emergency response, crisis management and business continuity plans. • Formulate enhanced and localised measures for various climate scenarios to address extreme weather events. • Carry out ventilation and cooling retrofitting for internal facilities and office spaces to improve the working environment. • Incorporate considerations of flood and water-related risks into office site selection. • Install key equipment (such as servers and air conditioners) in locations that meet flood and wind resistance standards. • Implement targeted measures across the Group to reduce the risk of casualties.
Chronic Physical Risks	• Incorporate the impacts of surrounding water resources into the office site selection process. • Adopt water-saving equipment and retrofit existing facilities to improve water use efficiency. • Assess the availability of alternative water sources in the event of water shortages and install backup water supply facilities. • Establish a long-term monitoring mechanism to protect key species and natural habitats and mitigate the impact of ecosystem changes on the supply chain.
Transition Risks	• Track global and domestic trends and latest requirements for climate-related information disclosure. • Optimise carbon emission disclosure and management to respond to stakeholder feedback; monitor the development of the domestic carbon market. • Collaborate with academic institutions and suppliers to promote low-carbon technologies and integrated energy solutions. • Disclose energy consumption and carbon emission data with high quality in accordance with regulatory requirements, and formulate environmental risk control plans. • Assess the impact of climate risks on business operations, establish a climate risk management mechanism, and mitigate reputational risks. • Improve legal risk management policies and incorporate climate-related risk considerations.

Type	Adaptation and Mitigation Measures
Opportunities	• Develop lower-carbon service offerings; • Invest in energy-efficient and low-emission technologies to reduce costs; • Explore the possibility to invest in green bonds to support climate-positive investments.

The Group does not currently have a formal climate-related transition plan or a dedicated budget specifically for climate-related risks and opportunities. Nevertheless, we manage environmental initiatives through our existing operational framework. Resources for energy-saving upgrades and sustainability training are allocated from general operating and capital expenditure budgets on a case-by-case basis. We will continue to monitor the necessity of a formal transition plan and adjust our resource allocation as regulatory requirements and our operational needs evolve.

To actively mitigate climate-related impacts and drive our long-term environmental strategy, the Group remained dedicated to energy efficiency and waste reduction during the Reporting Period. While direct year-on-year quantitative comparisons are limited due to the financial year-end change, the Group successfully implemented standardised electricity-saving protocols and strengthened paper recycling practices across key operations.

Current and Anticipated Financial Effect

The Group has not disclosed the quantified current and anticipated financial effects of climate-related risks and opportunities, and internal carbon prices are currently not applied in its internal analysis or decision-making. While the preceding tables describe potential financial impacts qualitatively, the timing and magnitude of those impacts remain uncertain. The level of measurement uncertainty is high, and isolating the financial effects of individual climate-related risks and opportunities is difficult. The Group is also developing internal capabilities for preparing disclosures on current and anticipated financial effects. Accordingly, the Group has applied the financial effects relief and the capabilities relief (where applicable) as provided under the ESG Reporting Code for disclosure requirements about the current and anticipated financial effects of climate-related risks and opportunities. The Group has also assessed and determined that the combined financial effects of climate-related risks and opportunities would not be useful at this stage.

Climate Resilience and Scenario Analysis

The Group has not conducted a formal climate-related scenario analysis and, accordingly, has not provided a detailed assessment of its climate resilience at this stage. As a small-to-medium enterprise with focused operations, the Group currently lacks specialised internal skills, technical capabilities, and localised data required to perform meaningful quantitative scenario modeling without incurring undue cost or effort. Instead, we manage climate resilience through our existing risk management framework and disaster recovery protocols, particularly regarding physical risks such as extreme weather. The Group will periodically review its capacity and the availability of simplified industry tools to determine when a proportionate scenario analysis can be effectively integrated into our reporting.

CLIMATE RISK MANAGEMENT

The Group has in place a comprehensive risk management framework. Climate-related risk and opportunity identification, assessment, prioritisation, and management are fully integrated into the Group's overall risk management processes. The relevant policy and processes are reviewed annually and updated when necessary.

Climate-related risks and opportunities are examined across the Group's operations and value chain using both internal and external data through a coordinated, multi-level process. Strategic direction is set at the top, with the Board providing oversight and regularly reviewing the most significant climate-related issues. At the same time, operational teams contribute detailed, ground-level insights by assessing their own exposures on an annual basis. When a potential risk is identified, the relevant department will design and carry out mitigation actions, followed by ongoing reviews to ensure that the controls remain robust and effective over time.

The Group does not currently incorporate climate-related scenario analysis into its risk identification process. At present, climate-related risks are identified and assessed through qualitative risk management methodologies, leveraging internal operational experience and historical weather data. The Group will continue to monitor the availability of simplified tools and industry data to evaluate the feasibility of integrating scenario analysis into its risk identification framework in the future.

1	2	3	4
Assess the risks from the Group Risk Management Framework and their interactions with climate	Identify climate risk drivers and impact on the Group	Assess risk materiality by scoring drivers on likelihood and impact severity	Select priority risks to evaluate climate resilience

All identified climate-related risks and opportunities play a role in shaping our strategic direction, operational priorities, and internal policies. We evaluate each item based on its potential impact and the likelihood of occurrence using the Group's risk assessment methodologies, creating a clear profile that supports informed decision-making. Risks that score highly on both impact and likelihood are elevated in priority and addressed ahead of lower-rated issues to ensure our resources are focused where they matter most.

Likelihood of impact happening					
Certain					
Likely				**6**	
Occasional				**1**	**2**
Unlikely			**3, 8**		
Rare	**5**	**4**	**7, 9**		
	Very low	**Low**	**Medium**	**High**	**Very high**
					Severity of impact

1. Infrastructure Reliability
2. Operational Continuity
3. Asset and Facility Value Preservation
4. IT Hardware and Third-Party Service Supply Chain Security
5. Data Integrity, Customer Information, and Regulatory Compliance
6. Regulation and Carbon Costs
7. Supply Chain Green Compliance Risk
8. Technology and Service Model Disruption
9. Market and Brand Reputation

Identified climate-related risks are monitored quarterly by the ESG Working Group, which tracks the effectiveness of mitigation measures and updates risk assessments as new information becomes available. Material changes in risk profiles are reported to the Board immediately. There were no material changes to the Group's climate-related risk identification, assessment, prioritisation and monitoring processes during the reporting period compared to the previous year. Climate-related opportunities are identified through annual strategic planning reviews and stakeholder engagement processes.

CLIMATE -RELATED TARGETS

We are setting long-term climate-related targets across our operations and value chain supported by short-, medium-, and long-term milestones, all measured against a FY2025/26 base year to ensure consistent comparison over time. These targets have taken reference from Hong Kong's long-term decarbonisation pathway and its goal of achieving carbon neutrality, as well as the Paris Agreement, ensuring that our efforts contribute meaningfully to the city's broader climate ambitions.

All quantitative targets are intensity targets, which are appropriate for the Group's service-based business model. The Group develops and regularly reviews its target internally based on its strategic planning and did not apply the Science Based Targets Initiative's Sectoral Decarbonisation Approach. The use of carbon credits to achieve any net targets is currently not considered. Below sets forth the phased targets over our time horizon:

The Group's climate-related targets are based on the following indicators:

Targets	Descriptions
Energy Consumption Intensity	• Short term: 3 % reduction when compared to FY2025/26 • Medium-term: 6 % reduction when compared to FY2025/26 • Long-term: 16% reduction when compared to FY2025/26
Non-hazardous Waste Intensity	• Short term: 3 % reduction when compared to FY2025/26 • Medium-term: 6 % reduction when compared to FY2025/26 • Long-term: 16% reduction when compared to FY2025/26
Greenhouse Gas ("**GHG**") Emission Intensity (Scope 1 & 2)	• Short term: 3 % reduction when compared to FY2025/26 • Medium-term: 6 % reduction when compared to FY2025/26 • Long-term: 16% reduction when compared to FY2025/26

* The GHG emission target is a gross target.

* FY2025/26 is the baseline period for these targets and covers 18 months. From the next reporting period onwards, progress against the targets will be assessed using the FY2025/26 baseline intensities annualised by multiplying them by 12/18.

The Group's GHG emission targets currently cover Scope 1 and Scope 2 emissions. Scope 3 targets will be developed as the Group improves its Scope 3 data collection capabilities.

The Group's climate-related targets and the methodologies used for their setting have not been verified by an independent third party. At present, these targets are reviewed and monitored through the Group's internal management and reporting processes to ensure data consistency and accuracy. The Group will periodically evaluate the necessity of seeking external assurance for its sustainability disclosures as its reporting framework matures. The targets are reviewed annually by the ESG Working Group and approved by the Board. Any material revisions to the targets require Board approval. Target progress is monitored annually using the indicators specified above. There have been no revisions to the Group's climate-related targets during the Reporting Period.

FY2025/26 covers 18 months, while FY2024 covers 12 months. The reported environmental figures and per-employee intensity indicators are therefore not directly comparable without adjustment for reporting-period length. The Group will continue to monitor these indicators and implement measures to improve resource efficiency and reduce emissions and waste.

The use of carbon credits to achieve any net targets is currently not considered. The Group has not conducted climate-related scenario analysis and does not currently apply an internal carbon price. Please refer to "Climate Resilience and Scenario Analysis" for the reasons and the Group's current approach to managing climate resilience. The Group has not allocated capital expenditure, financing or investment towards climate-related risks and opportunities. By applying reasonable information relief of the ESG Reporting Code, the Group does not disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks, transition risks and aligned with climate-related opportunities.

GHG Emissions

The major sources of Sky Blue 11's GHG emissions are direct GHG emissions (Scope 1) from petrol combustion of company-owned vehicles and indirect GHG emissions (Scope 2) from purchased electricity. To reduce the carbon emissions produced by daily office vehicles, the Group advocates remote communication options like telephone or video conferencing to replace non-essential international travel. Employees are encouraged to use public transportation to promote eco-friendly commuting and decrease GHG emissions during their daily journeys. Since the Group's Hong Kong office has relocated twice during the Reporting Period, it has been challenging to collect the electricity data.

The Group's GHG emissions performance[5] was as below:

Types of GHG Emissions[2]	Unit	FY2025/26	FY2024
Scope 1 - Direct GHG Emissions			
Petrol	tCO_2e	2.92	2.92
Scope 2 - Indirect GHG Emissions			
Purchased electricity			
– location based[3]	tCO_2e	21.86	17.11
Total GHG Emissions (Scope 1&2)	tCO_2e	24.78	20.03
Total GHG Emissions (Scope 1&2) Intensity[4]	tCO_2e/employee	0.73	0.56
Scope3-Other Indirect GHG Emissions	tCO_2e	3.15	0.22
Total GHG Emissions	tCO_2e	27.93	20.26
GHG Emissions Intensity[4]	tCO_2e/employee	0.82	0.56

Scope 3 GHG Emissions Details:

Scope 3 Other Indirect GHG Emissions	Units	FY2025/26	FY2024
Category 1: Purchased Goods and Services[6]			
– fresh water	tCO_2e	0.69	–
Category 5: Waste Generated in Operations[7]			
– Paper waste	tCO_2e	0.42	0.22
– Sewage		0.59	–
Category 6: Business Travel[8]	tCO_2e	1.45	–

Notes:

2. The Group's GHG emissions include CO_2, CH_4 and N_2O and are converted to reflect the tonnes of CO_2 equivalent. GHG emissions data is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" and "Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, Scope 3 emissions data is calculated with reference, but not limited to, the International Civil Aviation Organisation ("**ICAO**") and the Department for Energy Security & Net Zero ("**DESNZ**") of the United Kingdom.

3. Scope 2 emissions are calculated using a location-based approach, which considers the average emission intensity of the local electricity grid where the energy is consumed. The calculation draws on the "CLP 2025 Sustainability Report" published by CLP Holdings Ltd, and the latest average carbon dioxide emission factor for national electricity in China released by the Ministry of Ecology and Environment in December 2025.

4. As at 30 June 2026, the total number of full-time employees in the Reporting Scope of the Group was approximately 34 (FY2024: 36). This data is also used for calculating other intensity data.

5. The calculation methodologies for Scope 1 and Scope 2 GHG emissions remained unchanged. Scope 3 coverage was expanded during the Reporting Period, limiting the comparability of total GHG emissions with the prior period.

6. GHG Scope 3 Category 1 emissions: The Group utilises a supplier specific method, using emission factor from Water Service Department (WSD).

7. GHG Scope 3 Category 5 emissions: The Group uses waste-specific data multiplied by applicable emission factors such as data from Environmental Protection Department ("**EPD**").

8. GHG Scope 3 Category 6 emissions: The Group uses ICAO calculator for air travel GHG calculation

Due to the change in the Group's financial year-end date resulting in an 18-month Reporting Period (1 January 2025 to 30 June 2026), GHG emissions figures for the Reporting Period are not directly comparable with the 12-month figures from FY2024. Nevertheless, the Group remains committed to carbon reduction and will continuously monitor its energy consumption and GHG metrics to track operational efficiency and environmental performance.

ENVIRONMENTAL

We recognise the significance of minimising the environmental footprint of our operations and strive to implement sustainable practices at every level. Our dedication to environmental management drives us to continually refine and optimise our existing measures. We proactively develop and implement relevant systems that adhere to stringent environmental standards. By enhancing our energy efficiency and adopting innovative technologies, we actively reduce pollution emissions.

A1. EMISSIONS

The Group has procedures in place to manage our emissions effectively. Our efforts are focused on reducing our environmental impact and ensuring compliance with emissions standards.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental-related laws and regulations in relation to exhaust gas and greenhouse gases ("**GHGs**"), emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that would have a significant impact on the Group. Such laws and regulations include but not limited to the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Prevention and Control of Solid Waste Pollution and the Water Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong.

Air Emissions

To align the global development of the low-carbon economy, the Group pays attention to its air emissions arise from the daily operations. The Group consistently maintains and services the company's vehicle fleet to ensure efficient operation and prevent excess fuel consumption and air pollution. We also enforce a no-idling policy to further reduce vehicle emissions, with the primary goal of minimising air pollutants to the greatest extent possible.

The principle sources of air emissions are the combustion of petrol for company vehicles

Type of Air Pollutants	Unit	FY2025/26	FY2024
Nitrogen oxides ("**NOx**")	kg	11.20	9.31
Sulphur oxides ("**SOx**")	kg	0.02	0.02
Particulate matter ("**PM**")	kg	1.04	0.87

Sewage Discharge

Given the nature of its operations, the Group's business activities do not generate any substantial discharge. Instead, the Group ensures that all wastewater generated is appropriately channeled to local sewage treatment plants for thorough treatment via the municipal sewage network.

Waste Management

The Group actively advocates the importance of environmental management, strictly controls the generation of waste, continuously optimises management and monitoring, meeting the requirements of national and local environmental standards. Additionally, the Group ensures that the generated waste will be collected, source-separated, and recycled as much as possible before proper disposal.

Hazardous Waste

Due to the nature of its business, Sky Blue 11 generated a small amount of hazardous waste, such as used batteries; however, it did not record the quantity as it was deemed negligible.

Non-hazardous waste

The non-hazardous waste generated by the Group's business activities are office paper and general waste. Sky Blue 11 is actively increasing employees' awareness regarding the significance of waste reduction. In pursuit of improved environmental performance, the Group has implemented the following environmentally friendly initiatives for waste management:

- To implement a recycling program by designating specialised bins for the collection of recyclable materials like plastics and paper;
- To maximise the reuse of single-sided wastepaper and office supplies, such as folders, envelopes, and plastic files;
- To choose recyclable products and rechargeable batteries instead of disposable alternatives, prioritising sustainability and waste reduction;
- To enact proper recycling protocols for office paper and electronic equipment after their life cycle; and
- Print electronic correspondence only when necessary.

Due to the change in the Group's financial year-end date, figures for FY2025/26 cover an extended 18-month period (1 January 2025 to 30 June 2026), whereas FY2024 figures cover a 12-month period. Consequently, absolute non-hazardous waste generation figures between the two periods are not directly comparable. The Group continues to promote paperless operations and monitor waste metrics to enhance resource efficiency. The Group's performance of non-hazardous waste is summarised below:

Types of Wastes	Unit	FY2025/26	FY2024
Office Paper	kg	87.32	103.13
Total Non-hazardous Waste Disposed	kg	87.32	103.13
Intensity[4]	kg/employee	2.57	2.86

A2. USE OF RESOURCES

The Group has implemented policies and measures to efficiently manage resource utilisation, aiming to enhance energy efficiency and minimise the consumption of non-essential materials. Our resource management policies and procedures ensure effective control over resource usage. Additionally, we prioritise the management of high-energy-consuming equipment, regulating their operational processes to maximise energy efficiency.

Energy Management

In its daily operations, the Group's main source of energy consumption is electricity, primarily used in the office. Given that electricity accounts for the majority of our energy use, we prioritise energy conservation and emission reduction in our business operations. We have established an energy-saving performance management system and are focused on improving energy efficiency through effective personnel management and upgrades to our equipment. The specific measures we are implementing include:

- In feasible situations establish applicable targets to monitor energy consumption.
- Ensure power off electrical appliances when they are not in use.
- Turn off lighting, computers, and air conditioning systems before leaving at the end of the working day.
- Place energy-saving reminder labels next to switches.
- Regular clean office equipment, such as refrigerators and air conditioning units, to maintain optimal efficiency.
- Set the air conditioning temperature to 25°C.

In addition, the Group conducts sustainability education and training from time to time, promotes practical suggestions on eco-friendly lifestyles, and raises employees' awareness of energy conservation. Due to the change in the Group's financial year-end date, energy figures for FY2025/26 cover an extended 18-month period (1 January 2025 to 30 June 2026), whereas FY2024 figures cover 12 months. Consequently, absolute energy consumption figures between the two periods are not directly comparable. The Group will continuously monitor its energy metrics and drive operational energy efficiency. The Group's energy consumption performance is summarised below:

Indicators	Unit	FY2025/26	FY2024
Direct Energy			
• Petrol	MWh	10.66	10.66
Indirect Energy			
• Purchased Electricity	MWh	41.19	30.00
Total Energy Consumption	MWh	51.85	40.66
Intensity[4]	MWh/employee	1.53	1.13

Water Management

The Group's water usage is mainly used for domestic cleaning in offices and facilities. Nonetheless, acknowledging global water scarcity, we actively undertake strategies to combat this issue. Encouraging a culture of water conservation among employees, we have introduced various measures to reduce water usage. The following are some of the water conservation initiatives we have established:

- Enhance inspection and maintenance of faucets, promptly repairing any leaking faucets to prevent water wastage.
- Promote water conservation by prominently displaying "Save Water" posters to encourage and raise awareness about the importance of reducing water usage.
- Implement water-saving devices to reduce water consumption.

The Group's water consumption performance is summarised below:

Indicator	Unit	FY2025/26
Total Water Consumption	m^3	2,700
Water Consumption Intensity	m^3/employee	79.41

Use of Packaging Materials

Given the nature of our business, we do not consume a significant amount of packaging material. However, we have encouraged our suppliers to engage in green packaging and reduce excessive packaging.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group prioritises minimising the environmental impact of its business operations and actively implements best practices for environmental protection. In addition to complying with environmental laws and international standards to safeguard the natural environment, the Group integrates principles of environmental and natural resource conservation into its internal management and daily operational activities. The Group continually enhances its environmental monitoring and early warning system and has established an emergency response system to effectively address environmental emergencies.

SOCIAL

B1. EMPLOYMENT

The Group values its relationship with all its stakeholders. Creating shared value for stakeholders provides a competitive edge for sustaining the Group's long-term prosperity. The Group prioritises the health and safety of its employees through comprehensive health and safety guidelines. To effect positive impact on the communities in which the business operates, the Group supports impactful social initiatives to address the needs of the underprivileged.

The Group was not aware of any material non-compliance that would have a significant impact on the Group, with reference to employment-related laws and regulations including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Employment Ordinance.

	FY2025/26	FY2024
Total number of employees	34	36
Gender		
Male	16	19
Female	18	17
Age Group		
Below 30 years old	0	0
30-50 years old	21	26
Over 50 years old	13	10
Geographical Region		
Hong Kong	6	7
Chinese Mainland	28	29
Employment Type		
Full-Time	34	36
Part-Time	0	0

During the Reporting Period, the Group recorded an overall turnover rate[9] of 6%. The breakdown is as follows:

	FY2025/26	FY2024
Gender		
Male	6%	11%
Female	6%	24%
Age Group		
Below 30 years old	0%	0%
30-50 years old	5%	0%
Over 50 years old	8%	60%
Geographical Region		
Hong Kong	33%	29%
Chinese Mainland	0%	14%

Notes:

9. Employee turnover = Total number of employees left/Total number of employees at the end of the Year x 100%

Recruitment, Promotion and Dismissal

Promotions and dismissals within the organisation are carried out on a fair and equal opportunity basis. Employee promotions are reviewed annually, considering objective performance indicators. Supervisors engage in effective two-way communication with employees, discussing their performance and facilitating advancement. Regular performance appraisals are conducted to evaluate employees' work performance, capabilities, and potential for progress, laying the foundation for future promotions and training. The Group encourages internal promotion to provide employees with additional opportunities for personal and professional development. The organisation strictly prohibits unreasonable dismissals under any circumstances. If necessary, dismissals are based on reasonable and lawful grounds, aligned with the Group's internal policies.

Compensation and Benefit

Equitable remuneration and benefits contribute to employee satisfaction, team morale and overall performance. The Group offers an extensive and competitive package of remuneration and benefits, and it reviews its package in a timely manner in response to market changes. In PRC, the Group offers its employees Insurance and Housing Fund「五險一金」as a mandatory benefit, while in Hong Kong, the Group provides contributions to the Mandatory Provident Fund ("**MPF**") for its employees. It offers non-statutory benefits as additional welfare to employees, such as maternity and parental pay, and educational support. Outstanding employee awards, and long-term service awards are also offered.

Equal Opportunity, Diversity and Anti-Discrimination

The Group is committed to strict compliance with all national and local governmental laws and regulations. We uphold a fair, equitable, and transparent recruitment process, establishing policies that prevent discrimination in recruitment. Our aim is to ensure that no individual experiences discrimination based on race, social status, religion, nationality, disability, age, marital status, gender, pregnancy, sexual orientation, trade union membership, or political association. We strive to provide equal and fair treatment to all employees, encompassing areas such as recruitment, remuneration, training, promotion, dismissal, retirement, and other aspects of employment.

If an employee faces intimidation, humiliation, bullying, or harassment, including sexual harassment, they are encouraged to report the matter to their designated employee representative or directly to the general manager. The Group takes such complaints seriously and will employ appropriate measures to address and resolve these issues promptly upon receipt of the complaint.

Employee Communication Channels

The Group engages in proactive dialogue with its employees using various management mechanisms and communication channels, including internal mail systems, employee satisfaction questionnaires, and meetings.

To ensure a fair and transparent process, the Group has established guidelines in the Employee Handbook. It stipulates that employees should report any irregularities or concerns to their supervisors or the Human Resources Department. All reported cases will be thoroughly investigated, and appropriate actions will be taken to address them. We guarantee that the investigation and resolution process will be conducted with strict confidentiality, protecting the privacy and well-being of all parties involved.

B2. HEALTH AND SAFETY

The Group has intensified its dedication to maintaining a secure and healthy workplace for its staff members. An occupational health and safety policy has been established to protect employee well-being. As part of the induction process, employees will receive detailed explanations and/or documentation of relevant policies and procedures to prevent accidents. These policies are subject to annual review or prompt reassessment following any incidents to ensure their ongoing relevance and effectiveness in safeguarding employees.

During the Reporting Period, the Group was not aware of any material non-compliance that would have a significant impact on the Group, with reference to health and safety related laws and regulations, including but not limited to the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, as well as the statutory requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

No work-related fatalities happened during the past 3 consecutive years:

Fiscal Year	Unit	FY2025/26	FY2024	FY2023
Fatalities due to work	Cases	0	0	0
Lost days due to work injury	Days	0	0	0
Work Injury Rate[10]	%	0	0	0
Work-related fatality rate	%	0	0	0

Notes:

10. Work injury rate is calculated by number of work-related injury Lost days/(number of Employee x 22 x 18 (working days)) x 100%. The Group has subscribed to employees' compensation insurance for all employees, and it has covered the compensation required due to work-related injury.

Occupational Health and Safety

The Group recognises that employees are its most valuable assets, therefore the Group is keen on providing a safe and pleasant working environment to retain talents and ensure that their well-being is taken care of. Relevant health and safety policies are indicated in the Employee Handbook, said policies are regularly reviewed and/or reviewed upon trigger events to ensure that the provisions continue to provide protection to its employees.

Safety Training and Inspections

The Group utilises safety training and inspections to emphasise the significance of adherence to safety protocols among employees. Each employee receives induction training on pertinent health and safety policies tailored to their role at the outset of their employment, aiming to reduce the occurrence of workplace accidents or injuries. All personnel, whether directly or indirectly affiliated with the Group, are obligated to comply with all relevant laws, regulations, and safety standards mandated by the pertinent government authorities. Regular occupational health and safety meetings are convened to promptly address concerns and explore potential solutions.

B3. TRAINING AND DEVELOPMENT

Investing in future leaders is essential for ensuring the Group's long-term success and resilience. The Group intends to nurture its talent pipeline to retain high-performers and be equipped with leaders for tomorrow. In view of this, the Group provides them with the right tools and an environment in which they can grow professionally. Employees are continuously motivated to improve and contribute their knowledge and experiences towards shaping the future.

Structured skills development programs are in place across the Group for all employees, who play an integral role in operations.

The Group's tailored learning initiatives are designed to cater to the skills development needs of each core business area and align with employees' career growth aspirations. Continuously evolving, the content and structure of its learning programs are regularly updated to remain current with market trends and digitalisation demands. Additionally, the Company offers a range of public training courses, including language and office automation training, to enhance employees' skill sets. To support career advancement, the Group conducts routine performance evaluations to acknowledge and reward employees for their hard work and skills, identifying exceptional talent and providing avenues for promotion. Prioritising internal promotion opportunities over external recruitment ensures our employees have abundant space for professional growth and development.

During the Reporting Period, the Group provided around 30 hours of training, with an average training hour of approximately 0.88 hours per employee. The breakdown of the employees trained by gender and employment category is as follows:

	FY2025/26		FY2024	
	Percentage of Employees Trained (%)[11]	Average Hours of Training (hour)[12]	Percentage of Employees Trained (%)[11]	Average Hours of Training (hour)[12]
Gender				
Male	12.50%	0.63	84.21%	0.84
Female	22.22%	1.11	82.35%	0.82
Employee Category				
Senior Management	45.45%	2.27	100.00%	1.00
Middle Management	14.29%	0.71	100.00%	1.00
General Employees	0.00%	–	70.00%	0.70

Notes:

11. Percentage of employees trained in a category = Number of employees trained/Number of employees in that category at the end of the Year x 100%

12. Average hours of training = Number of training hours in that category/Number of employees in that category at the end of the Year.

During the Reporting Period, the Group's routine training programs were primarily structured around onboarding orientation for new hires and foundational role-specific skills development. Given the high stability of our workforce and the absence of new employee onboarding during the Reporting Period, alongside the existing staff's established proficiency and expertise in their respective operational roles, no repetitive introductory training was conducted. Consequently, the percentage of employees trained declined during the Reporting Period. The Group will continue to evaluate employees' long-term professional development needs and implement targeted training initiatives aligned with future business expansion and skill requirements.

B4. LABOUR STANDARDS

Prevention of Child and Forced Labour

The Group has zero tolerance and strictly prohibits the use of child labour, forced labour and hiring of illegal immigrants in our operations. The following measures have been taken to avoid these illegal employment practices.

Prevention of child labour	During the recruitment process, the human resources department will verify the applicant's identity documents and ensure that they have reached the minimum age for employment.
Prohibition of forced labour	The Group specifies overtime compensation provisions in the Employee Handbook. The Group carefully monitors the employee working time and working schedule to ensure they work voluntarily and freely.

In case of any illegal labour practice is discovered, the Group will stop their employment immediately. An investigation will be carried out subsequently and report the case to the relevant authorities.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group.

B5. SUPPLY CHAIN MANAGEMENT

The Group has established a comprehensive Supplier Management Policy aimed at governing supplier relationships and enhancing operational standards. In the process of selecting new suppliers, the Group meticulously evaluates a minimum of three companies based on criteria such as product quality, delivery reliability, pricing, and adherence to compliance standards. Emphasising the significance of suppliers' legal compliance records and commitment to ethical practices over mere cost considerations, the Group places paramount importance on fostering a culture of loyalty within supplier operations.

With a steadfast commitment to environmental sustainability, the Group favors collaborating with sustainable suppliers and prioritises those holding certifications such as ISO 50001 for energy management, ISO 14001 for environmental management, and endorsements for low-carbon products. Suppliers are required to sign an Environmental Protection Undertaking Letter, affirming compliance with relevant environmental protection laws and regulations in the materials they supply. Socially, the Group favors suppliers with robust supply chain management systems adhering to international standards like ISO 26000 for social risk management.

Regular assessment and mitigation of environmental and social risks in the supply chain are crucial. Suppliers must promptly address evaluation outcomes and implement corrective actions within set time frames. The Group can terminate collaborations with non-compliant providers. Green purchasing strategies are promoted, favoring products with minimal environmental impact. Purchased items should have high recycling efficiency, reduced packaging, extended shelf life, or enhanced energy efficiency. Circuit components must emit few hazardous substances. We preferred local suppliers and all of our major suppliers are local suppliers.

Location	No. of Suppliers
PRC	4

B6. PRODUCT RESPONSIBILITY

The Group takes a proactive stance in understanding and addressing customer requirements by actively involving them to gather crucial insights into their preferences and issues. Diverse methods are utilised to assess customer contentment and track feedback, such as periodic satisfaction surveys and service evaluations. As part of its commitment to excellence, the Group has implemented a quality management system for integrated circuit design and sales operations. This system is certified under ISO9001, ensuring stringent oversight of product quality and adherence to customer service standards.

The Group establishes precise acceptance criteria for product inspection and testing, aligning with industry standards, laws, and regulatory mandates. Rigorous quality control measures are implemented across various stages, including the examination of incoming goods, initial article assessments, ongoing in-process inspections, and conclusive final checks. Only after successfully clearing the final inspection are products dispatched to customers. Each approved product is marked with a unique identification number to enable traceability and facilitate comprehensive quality monitoring throughout its lifecycle. If quality problems occur after delivery, we will assess unqualified products, propose disposal plans and take immediate preventive and corrective measures to ensure that the products meet the quality requirements.

In addition to quality control for integrated circuits and semiconductor components design, the Group strictly adheres to civil aviation regulations for its private jet management services to ensure flight safety. For yacht manufacturing and related businesses, we strictly comply with international classification society standards and marine environmental regulations. Furthermore, we uphold strict physical safety across our property investments and enforce rigorous customer data privacy protection (B6.5) for our high-net-worth clients.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with related laws and regulations concerning health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group.

Quality and Complaint Management

The Group is committed to providing high-quality services and products while prioritizing customer satisfaction and product safety. We have established standardized quality control procedures and a responsive customer feedback mechanism to ensure all services and products comply with relevant regulatory requirements.

During the Reporting Period, the Group was not subject to any product recalls for safety and health reasons, and the percentage of total products sold or shipped subject to recalls for safety and health reasons was 0%. Furthermore, the Group received 0 material complaints regarding its products and services.

Customer Information Protection

The Group is committed to providing the highest quality of service to its customers, not only because it is crucial to the health and safety of its customers and clients, but also for the purpose of attracting future business opportunities. The Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the Law of the People's Republic of China on Protection of Consumer Rights and Interests and the Personal Data (Privacy) Ordinance of Hong Kong.

Protection of Intellectual Property Rights

Ensuring the safeguarding of intellectual property rights remains a cornerstone of the Group's operational ethos. From interactions with customers and suppliers to internal practices, a stringent framework is in place to uphold these rights. As a proactive measure, contractual agreements meticulously embed clauses that fortify intellectual property protections. The Group's legal division diligently scrutinises operational contracts, assuring equitable terms that preserve the intellectual property rights of all parties involved. Moreover, technical experts are bound by stringent confidentiality agreements, expressly prohibiting the divulgence of proprietary information encompassing business strategies, production blueprints, patented designs, procedural manuals, quality metrics, and sensitive data. Notably, former employees are unequivocally barred from utilising the Group's technical knowledge post-departure. Emphasising ethical conduct, the Group mandates the utilisation of legitimate software, with a prerequisite for employees to seek approval before installing any software to preclude inadvertent infringement on external intellectual property rights.

Advertising and Labelling

The Group places a strong emphasis on adhering to relevant regulations and guidelines concerning media advertising, recognising the significance of responsible and compliant advertising practices. The Group has established internal guidelines to ensure the provision of accurate product labels and marketing materials are accurate and comply with applicable laws, regulations and industry standards in the markets where its products and services are offered. The Group strictly prohibits the exaggeration of product claims in marketing materials. Any deviation from the Group's internal guidelines will result in immediate corrective measures being taken.

B7. ANTI-CORRUPTION

The Board sets a tone of zero tolerance towards fraud and corruption. The Group's Employee Handbook states guidelines that require employees to comply with all applicable rules on conflicts of interest, insider dealing, anti-competition and anti-corruption. It demands strict adherence from every employee to applicable laws, rules, and regulations in the jurisdictions in which the Group operates.

The Anti-corruption Policy provides guidance for employees on recognising and avoiding unethical behaviour in a range of business contexts, including procurement of goods and services, accepting and offering corporate gifts or hospitality, and making political or charitable contributions. Any solicitation or acceptance of an advantage, any form of bribery, extortion, fraud, or money laundering are strictly prohibited.

During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group. No concluded legal cases regarding corrupt practices have been brought against the Group or its employees during the Year.

Anti-Corruption Training

The Group provides training for employees in the field of business ethics, corporate governance and anti-corruption. New joiners receive these training as part of their induction programs. During the Reporting Period, the directors and employees were provided with anti-corruption training for a total of 7 hours.

Whistleblowing

The Group invites employees and other stakeholders, including customers and suppliers, to express any concerns regarding suspected improprieties, misconduct, or malpractice. A confidential reporting channel is available for all to use. In line with our internal guidelines, we handle every reported incident with the highest level of confidentiality and provide protection for whistleblowers against unfair dismissal, victimisation, or unwarranted disciplinary measures. All incidents related to fraud and corruption will be investigated thoroughly.

B8. COMMUNITY INVESTMENT

Sky Blue 11 is dedicated to helping its community and actively participates in community activities. The Group promotes a culture of social responsibility and has set clear guidelines for community involvement, focusing on meeting societal needs.

Employees are encouraged to take part in various charitable efforts, which include community service and social responsibility. This involves volunteering for events like outdoor activities for people with disabilities and organising communities' activities drives. The Board will regularly review these community engagement programs and encourage higher level of participation.

CONTENT INDEX OF THE STOCK EXCHANGE ESG REPORTING CODE

Mandatory Disclosure Requirements	Chapter/Statement
Governance Structure	ESG Governance Structure
Reporting Principles	Reporting Principles
Reporting Boundary	Reporting Scope

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
A. Environmental			
Aspect A.1: Emissions	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note:* Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		Emissions
	KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions, Sewage Discharge, Waste Management
	KPI A1.2	Replaced by Responding to Climate Change	Climate-related Targets – GHG Emissions
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Climate-related Targets, Emissions – Air Emissions, GHG Emissions, Waste Management
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management
Aspect A2: Use of Resources	General Disclosure		Use of Resources
	Policies on the efficient use of resources, including energy, waste and other raw materials.		
	Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Management
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Climate-related Targets, Use of Resources – Energy Management
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Management
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		The Environment and Natural Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change	Replaced by Responding to Climate Change		Responding to Climate Change
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest Periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employment
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age Group and geographical region.	Employment
	KPI B1.2	Employee turnover rate by gender, age Group and geographical region.	Employment

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
Aspect B2: Health and Safety	General Disclosure		Health and Safety
	Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting year.	Health and Safety
	KPI B2.2	Lost days due to work injury.	Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Occupational Health and Safety
Aspect B3: Development and Training	General Disclosure		Training and Development
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
	Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Development

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
Aspect B4: Labour Standards	General Disclosure		Labour Standards
	Information on (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure		Supply Chain Management
	Policies on managing environmental and social risks of the supply chain.		
	KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
Aspect B6: Product Responsibility	General Disclosure		Product Responsibility
	Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provides and methods of redress.		
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility-Quality and Complaint Management
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility-Quality and Complaint Management
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Protection of Intellectual Property Rights
	KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Information Protection

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
Aspect B7: Anti-corruption	General Disclosure		Anti-corruption
	Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption – Anti-Corruption Training
Community			
Aspect B8: Community Investment	General Disclosure		Community Investment
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities interests.		
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Climate-related Disclosures	Description	Section/Statement
Governance	Governance	Climate Governance
Strategy	Strategy	Strategy
Risk Management	Risk Management	Climate Risk Management
Metrics and Targets	GHG Emissions	Climate and Nature-related Targets
	Cross-industry Metrics – Climate-related Physical Risks, Transition Risks and Opportunities	Strategy
	Cross-industry Metrics – Capital Deployment	Strategy
	Internal Carbon Prices	Strategy- Current and Anticipated Financial Effect
	Remuneration	Climate Governance
	Industry-based Metrics	The Group has assessed industry-based metrics under the IFRS S2 Industry-based Guidance as not applicable and has therefore not adopted them
	Climate-related Targets	Climate-related Targets

The Board of the Company submits their report together with the audited consolidated financial statements of the Group for the eighteen months ended 30 June 2026.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investments holding. For the eighteen months ended 30 June 2026, the Group was principally engaged in (i) design and sales of IC and semi-conductor parts; (ii) executive jet management; and (iii) manufacturing and sales of yachts and other yacht related businesses.

CHANGE OF FINANCIAL YEAR-END DATE

The Board resolved to change the financial year-end date of the Company from 31 December to 30 June at its meeting on 24 December 2025. Accordingly, the financial results of this Annual Report covered the period from 1 January 2025 to 30 June 2026. The comparative figures, however, are for the year ended 31 December 2024, and hence are not directly comparable. The reasons for the change and other details were disclosed in the Company's announcement dated 24 December 2025.

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations.

For the eighteen months ended 30 June 2026, (i) the Group complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group; and (ii) there was no material breach or non-compliance with the applicable laws and regulations by the Group.

BUSINESS REVIEW

Discussion and analysis of business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this Annual Report and the notes to the Consolidated Financial Statements of this Annual Report. Discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the section headed "Environmental, Social and Governance Report" of this Annual Report. The above discussions form part of the Report of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the eighteen months ended 30 June 2026 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for
Purchases	
– the largest supplier	69%
– five largest suppliers combined	83%
Sales	
– the largest customer	40%
– five largest customers combined	75%

None of the Directors, or any of their close associates, or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the major customers and suppliers noted above.

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the employees of the Group is reviewed regularly by the Board. Remuneration packages are structured to take into account the merit, qualifications and competence of individual employees as well as the general market conditions.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There was no advance, which is of non-trading nature, to any of the affiliated companies as at 30 June 2026 as defined under Chapter 13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

FINANCIAL RESULTS

Details of the Group's results for the eighteen months ended 30 June 2026 are set out in the sections headed "Consolidated Statement of Profit or Loss" and the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the eighteen months ended 30 June 2026 are set out in note 16 to the Consolidated Financial Statements of this Annual Report.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

RESERVES

Details of the movements in reserves of the Group and the Company for the eighteen months ended 30 June 2026 are set out in the section headed "Consolidated Statement of Changes in Equity", together with relevant notes to the Consolidated Financial Statements of this Annual Report.

DISTRIBUTABLE RESERVES

As at 30 June 2026, no reserves were available for distribution to shareholders by the Company as calculated in accordance with the Companies Act 1981 of Bermuda.

SHARE CAPITAL

As at 30 June 2026, the Company had an authorised share capital of HK$100,000,000, divided into 1,000,000,000 shares of HK$0.1 each, and an issued share capital of 444,294,170 shares of HK$0.1 each.

As at 30 June 2026, the Company did not have any preference shares, options, convertible bonds or equity-related instruments.

EQUITY-LINKED AGREEMENTS

For the eighteen months ended 30 June 2026, the Group did not enter into any equity-linked agreement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY, INCLUDING SALE OF TREASURY SHARES

Save as disclosed, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)) for the eighteen months ended 30 June 2026.

As at 30 June 2026, there were no treasury shares (as defined under the Listing Rules) held by the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws (the "**Bye-laws**") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 5 of this Annual Report.

DIVIDEND

The Board does not recommend the payment of dividend for the eighteen months ended 30 June 2026.

DIRECTORS

The Directors who held office from 1 January 2025 and up to the date of this Annual Report are as follows:

BOARD OF DIRECTORS

Executive Directors

Ms. Li Weina
Dr. Zhang Yu *Note 1*
Mr. Phen Chun Shing Vincent

Independent Non-executive Directors

Ms. Ching Ching
Dr. Song Donglin *Note 1*
Mr. Wong Xiang Hong *Note 2*
Mr. Chan Ting Leuk Arthur *Note 3*
Mr. Hung Wai Che *Note 4*

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching *(Chairlady)*
Dr. Song Donglin *Note 1*
Mr. Wong Xiang Hong *Note 2*
Mr. Chan Ting Leuk Arthur *Note 3*
Mr. Hung Wai Che *Note 4*

Nomination Committee

Mr. Chan Ting Leuk Arthur *(Chairman)* *Note 3*
Ms. Ching Ching
Dr. Song Donglin *Note 1*
Mr. Wong Xiang Hong *Note 2*
Mr. Hung Wai Che *Note 4*

Remuneration Committee

Mr. Chan Ting Leuk Arthur *(Chairman)* *Note 3*
Ms. Ching Ching
Dr. Song Donglin *Note 1*
Mr. Wong Xiang Hong *Note 2*
Mr. Hung Wai Che *Note 4*

Notes:

1 Retired on 6 June 2025
2 Appointed on 26 February 2025 and resigned on 27 May 2026
3 Appointed on 5 September 2025
4 Appointed on 26 August 2026

CHANGE OF DIRECTORS

A summary of change of Directors of the Company from 1 January 2025 to the date of this Annual Report is set out below:

(i) Mr. Wong Xiang Hong was appointed on 26 February 2025 and resigned on 27 May 2026;

(ii) Dr. Zhang Yu and Dr. Song Donglin retired on 6 June 2025;

(iii) Mr. Chan Ting Leuk Arthur was appointed on 5 September 2025; and

(iv) Mr. Hung Wai Che was appointed on 26 August 2026.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial period. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, the directors of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the eighteen months ended 30 June 2026 was the Company or any of its associated corporations a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors or an entity connected with any of them is or was materially interested, either directly or indirectly, in any transactions, arrangements and contract of significance subsisting during or at the eighteen months ended 30 June 2026.

COMPETING BUSINESS

For the eighteen months ended 30 June 2026, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

REASONS RELATED TO THE COMPANY'S AFFAIRS GIVEN BY A DIRECTOR FOR RESIGNATION OR NOT SEEKING RE-APPOINTMENT

For the eighteen months ended 30 June 2026, all directors who resigned or did not seek re-appointment confirmed that there was no reason related to the Company's affairs.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Latest biographical details of the Directors and senior management of the Company are set out in section headed "Directors and Senior Management Biographies" of this Annual Report.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed in the section headed "Directors and Senior Management Biographies", there was no change in information of the Directors and chief executive of the Company up to the date of this Annual Report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51C OF THE LISTING RULES

With effect from 1 July 2026, the annual emolument of Mr. Phen Chun Shing Vincent, executive Director of the Company, was increased to HK$600,000 after taking into consideration of his duties and responsibilities with the Company, the market rate and his time, effort and expertise to be input into the Group's affairs and the Company's performance.

Save as disclosed above, there has been no change in Directors' biographical details which are required to be disclosed pursuant to Rule 13.51C of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed for the eighteen months ended 30 June 2026.

DIRECTORS' SERVICE CONTRACTS

For the eighteen months ended 30 June 2026, none of the Directors of the Company had a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments of the Directors and senior management are recommended by the Remuneration Committee of the Company and determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs and the Company's performance.

Details of the emoluments of the Directors and senior management of the Company are set out in note 11 to the Consolidated Financial Statements of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2026, none of the Directors and chief executives had any the interests or short positions of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code to regulate the Directors' securities transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period under review, and they all have confirmed their respective full compliance with the required standard set out in the Model Code for the eighteen months ended 30 June 2026.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received, from each independent non-executive Director, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2026, to the best knowledge of the Directors, there was no interest and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a amount of sufficient public float, representing at least 25% of the Company's total number of issued shares (excluding treasury shares), as required under Rule 13.32B of the Listing Rules during the eighteen months ended 30 June 2026 and up to the date of this Annual Report.

As at 30 June 2026, the public float of the Company was 100%. The composition of ownership of the issued shares in the Company listed on the Stock Exchange, and the Company's share capital structure, as at 30 June 2026 are set out below:

Group of Shareholders	Number of Issued Shares held	Approximate % of Shareholding
Public shareholders	444,294,170	100%
Total number of issued shares	444,294,170	100%

The above statements are made on the basis of information publicly available to the Company or otherwise within the knowledge of the Directors as at the date of this Annual Report.

CORPORATE GOVERNANCE PRACTICES

Details of the Group's corporate governance practices for the eighteen months ended 30 June 2026 are set out in the section headed "Corporate Governance Report" of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Details of the Group's environmental, social and governance practices for the eighteen months ended 30 June 2026 are set out in the section headed "Environmental, Social and Governance Report" of this Annual Report.

CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

No contract of significance had been entered between the Company or any of its subsidiaries, and the controlling shareholders of the Company (as defined in the Listing Rules) or any of its subsidiaries. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders of the Company (as defined in the Listing Rules) or any of its subsidiaries.

Details of the related party transactions undertaken in the usual course of business are set out in note 35 to the Consolidated Financial Statements of this Annual Report. None of these related party transactions constitute "connected transactions" or "continuing connected transactions" as defined under Chapter 14A of the Listing Rules and therefore there is no disclosure requirement in accordance with Chapter 14A of the Listing Rules.

CHANGE IN BERMUDA SHARE REGISTRAR

With effect from 1 January 2025, the Company's Bermuda principal share registrar and transfer agent has been changed to:

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street, PO Box HM 1179, Hamilton HM EX, Bermuda

For further information, please refer to the announcement of the Company dated 13 January 2025.

CHANGE IN HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 April 2025, the Company's branch share registrar and transfer office in Hong Kong has been changed to:

TRICOR INVESTOR SERVICES LIMITED
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

For further information, please refer to the announcement of the Company dated 14 March 2025.

CHANGE IN ADDRESS OF REGISTERED OFFICE IN BERMUDA

With effect from 3 August 2026, the registered office of the Company in Bermuda has been changed to:

Richmond House
12 Par-la-Ville Road
Hamilton HM 08
Bermuda

For further Information, please refer to the announcement of the Company dated 23 July 2026.

CHANGE OF NAME OF AUDITOR

With effect from 21 August 2026, the Company's auditor has changed its English name from "Prism Hong Kong Limited" to "CLA Prism Hong Kong Limited", and its Chinese name from「栢淳會計師事務所有限公司」to「思立安栢淳會計師事務所有限公司」.

For further Information, please refer to the announcement of the Company dated 27 August 2026.

AUDIT COMMITTEE

The Audit Committee of the Company comprises solely independent non-executive Directors, namely Ms. Ching Ching (chairlady), Mr. Chan Ting Leuk Arthur and Mr. Hung Wai Che. The Group's annual results for the eighteen months ended 30 June 2026 have been reviewed by the Audit Committee of the Company.

AUDITOR

The audited financial statements of the Group for the eighteen months ended 30 June 2026 have been audited by CLA Prism Hong Kong Limited, who retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Sky Blue 11 Company Limited

Li Weina
Executive Director

Hong Kong, 28 September 2026

The Group recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board is committed to maintain sound corporate governance standard and procedures to ensure integrity, transparency, and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

For the eighteen months ended 30 June 2026, the Company complied with the code provisions as set out in Part 2 of the Corporate Governance Code ("**CG Code**") contained in Appendix C1 to the Listing Rules except for the following deviation.

Code C.5.1 of the CG Code

Code provision C.5.1 of the CG Code provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. For the eighteen months ended 30 June 2026, the Company did not hold regular quarterly Board meetings as contemplated under code provision C.5.1 of the CG Code. Nevertheless, the Board held seven meetings for the eighteen months ended 30 June 2026 to consider and approve corporate and operational matters as required. The Board considers that these meetings afforded the Directors sufficient opportunity to discuss the Company's affairs and exercise effective oversight of management, and that the objective underlying code provision C.5.1 of the CG Code was therefore met.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest development.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than exacting the required standard set out in the Model Code. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code for the eighteen months ended 30 June 2026, all Directors confirmed their respective full compliance with the required standard as set out in the Model Code for the eighteen months ended 30 June 2026.

THE BOARD COMPOSITION

As at the date of this Annual Report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors. Further, one of the independent non-executive Directors possesses appropriate professional accounting qualifications and/or financial management expertise.

Following the resignation of Mr. Wong Xiang Hong, an independent non-executive Director, with effect from 27 May 2026, the Company had two independent non-executive Directors only and the Audit Committee only comprised of two members, and was therefore not in compliance with the requirements of Rules 3.10(1) and 3.21 of the Listing Rules.

Following the appointment of Mr. Hung Wai Che as an independent non-executive Director and member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 26 August 2026, the Company is now in compliance with Rule 3.10(1) and 3.21 of the Listing Rules.

Mr. Wong Xiang Hong was appointed as independent non-executive Director during the eighteen months ended 30 June 2026 covered by this Annual Report. He has confirmed that he received legal advice on 26 February 2025 according to Rule 3.09D of the Listing Rules and that he understood his obligations as a director of a listed issuer.

Mr. Chan Ting Leuk Arthur was appointed as independent non-executive Director during the eighteen months ended 30 June 2026 covered by this Annual Report. He has confirmed that he received legal advice on 5 September 2025 according to Rule 3.09D of the Listing Rules and that he understood his obligations as a director of a listed issuer.

Mr. Hung Wai Che was appointed as independent non-executive Director after the eighteen months ended 30 June 2026 covered by this Annual Report. He has confirmed that he received legal advice on 26 August 2026 according to Rule 3.09D of the Listing Rules and that he understood his obligations as a director of a listed issuer.

As of the date of this Annual Report, the members of the Board are as follows:

Executive Directors

Ms. Li Weina
Mr. Phen Chun Shing Vincent

Independent Non-Executive Directors

Ms. Ching Ching
Mr. Chan Ting Leuk Arthur
Mr. Hung Wai Che

The biographical details of the Directors are contained in the section headed "Directors and Senior Management Biographies" of this Annual Report.

Ms. Li Weina, executive Director, and Ms. Ching Ching, independent non-executive Director, have entered into service contracts with the Company in relation to their appointment.

Mr. Phen Chun Shing Vincent, executive Director, has entered into a service agreement with the Company for an initial term of 2 years. Each of Mr. Hung Wai Che and Mr. Chan Ting Leuk Arthur, independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of 2 years.

All of their appointments are subject to the requirements under the Listing Rules, the Bye-laws, and any other applicable laws and regulations, and may be terminated in accordance with the notice period specified in their respective service contracts or letters of appointment.

When the Board considers any material proposal or transaction in which a Director has a conflict of interest, the Director who has interests declares his/her interest and is required to abstain from voting and is not counted in the quorum.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

THE BOARD FUNCTIONS

Other than the regulatory and statutory responsibilities of the Board, the key functions of the Board are to formulate strategy and to monitor and control operating and financial performance in pursuit of the Group's strategic objective. The Board, led by the Chairman, retains full responsibility for setting objective and business development plans. All Directors (including executive Directors and independent non-executive Directors) have been consulted on major and material matters of the Company and have made active contribution to the affairs of the Board. The Board is committed to make decisions in the best interest of the Group. The main responsibilities of the Management is to manage, operate and co-ordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between Board members and the senior management of the Group. For the eighteen months ended 30 June 2026, 7 Board meetings were convened by the Company. The attendance of the Directors at the Board meetings and general meeting of the Company for the eighteen months ended 30 June 2026 is summarised below.

	Number of Board meetings Attended/ Eligible to attend	Number of General meetings Attended/ Eligible to attend
Executive Directors		
Dr. Zhang Yu[1]	0/4	–
Mr. Phen Chun Shing Vincent	7/7	1/1
Ms. Li Weina	7/7	1/1
Independent Non-Executive Directors		
Dr. Song Donglin[1]	5/5	1/1
Mr. Chan Ting Leuk Arthur[2]	1/1	–
Mr. Hung Wai Che[3]	–	–
Mr. Wong Xiang Hong[4]	4/4	1/1
Ms. Ching Ching	7/7	1/1

Notes:

1. Retired on 6 June 2025.
2. Appointed on 5 September 2025.
3. Appointed on 26 August 2026.
4. Appointed on 26 February 2025 and resigned on 27 May 2026.

Reasonable notice has been given to Board members for all Board meetings in order to allow sufficient time for Directors to review the documents and all Directors are given an opportunity to include matters for discussion in the agenda and give opinion. All businesses transacted at the Board meetings were well-documented. Directors are entitled to have access to Board papers and related materials and access to the advice and services of Company Secretary of the Company. Directors have the liberty to seek independent professional advice, if so required, at the Company's expenses as arranged by Company Secretary of the Company and they are at liberty to propose appropriate matters for inclusion in Board agendas.

For ensuring that Board procedures are followed and activities of the Board are efficient and effective, the Company Secretary of the Company will assist to prepare agendas for Board meetings and ensure the Board papers are disseminated to the Directors and Board Committees in a timely and comprehensive manner.

For the Group's compliance with the continuing obligations of the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the SFO and the Companies Ordinance, including publication and dissemination of reports and financial statements and interim reports within the periods laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made of Director's dealings in securities of the Group, the Board engages the professional parties' input from time to time. In addition, all Directors are encouraged to attend the general meetings of the Company.

Directors are aware of their obligations for disclosure of interests in securities, connected transactions and inside information and ensure that the standards and disclosures required by the Listing Rules and the SFO are observed.

The Company has maintained liability insurance for the Directors of the Company and senior management officers with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

BOARD SKILLS MATRIX

As at 30 June 2026, there were 4 Directors on the Board. The following skills matrix outlines the Board's core expertise relative to the Company's strategy, governance, and business. This alignment ensures the Board can effectively fulfill its duties, achieve strategic goals, and foster sustainable, balanced growth for the Group.

Directors' Skills and Experience	Gender	Designation	Executive Leadership & Corporate Strategy	Electronics/Jet Management/ Yacht industry Experience	Cross Border business Experience	Accounting, Risk Management & Internal Controls	Law, Regulatory Compliance & HKEX Listing Rules
Ms. Li Weina	F	ED	Y	Y	Y	Y	–
Mr. Phen Chun Shing Vincent	M	ED	Y	–	Y	Y	Y
Ms. Ching Ching	F	INED	Y	–	Y	Y	–
Mr. Chan Ting Leuk Arthur	M	INED	Y	Y	Y	Y	Y

DEFINITION OF COMPETENCY CATEGORIES

Executive Leadership & Corporate Strategy	The capacity to provide long-term strategic direction, assess business growth opportunities, and supervise senior executives to maximize sustainable shareholder value.
Electronics/Jet Management/ Yacht Industry Experience	Practical experience or operational knowledge in electronic design and selling, private jet management, or luxury yacht operations. Insights cover specialized asset maintenance, and the unique logistics and supply chain dynamics of these high-end industries.
Cross Border Business Experience	Extensive background in managing business operations, trade, or investments across multiple jurisdictions, with a particular focus on the Greater China region and international markets. Competence provides the board with strong capabilities in navigating diverse regulatory environments, managing geopolitical risks, and driving regional market expansion.
Accounting, Risk Management & Internal Controls	Practical insight or professional background in accounting, financial reporting, corporate budgeting, and statutory audit oversight. Knowledge includes the general management of internal control systems and enterprise risk management (ERM) frameworks necessary to safeguard corporate assets.
Law, Regulatory Compliance & HKEX Listing Rule	Practical experience or professional background in handling commercial legal issues, corporate compliance, and HKEX Listing Rules requirements. Expertise ensures the board is well-guided on general corporate governance standards, statutory disclosures, and other regulations.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide each newly appointed Director a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's business and the Company's constitutional documents and guides on directors' duties to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other applicable regulatory requirements.

From time to time, relevant reading materials are provided to Directors with regard to regulatory and governance developments as well as organizing in-house training programme to refresh their knowledge and skills on the roles, functions and duties of a director of a listed company. The Company has devised a training record to assist the Directors of the Company to record the training they have undertaken.

All Directors of the Company are required to participate in continuous professional development ("**CPD**"). The table below sets out the CPD participation of the Directors who remained in office as at 30 June 2026, covering the following five specified topics pursuant to Rule 3.09G of the Listing Rules:

(a) Board and directors' duties

(b) Listing Rules and Hong Kong law compliance

(c) Corporate governance and ESG

(d) Risk management and internal controls

(e) Industry and business updates

The relevant Directors have provided the Company with records of the training undertaken during the eighteen months ended 30 June 2026 and up to the date of this Annual Report. Details of their CPD participation are set out below:

Members of the Board	Internal training hours completed/ topics covered	External training hours completed/ topics covered	Self-study hours completed/ topics covered	Total Hours
Executive Directors				
Ms. Li Weina	1/(a) to (d)	5/(a) to (e)	–	6
Mr. Phen Chun Shing Vincent	5/(a) to (e)	–	–	5
Independent Non-executive Directors				
Ms. Ching Ching	10.5/(b) to (e)	5/(a) to (e)	–	15.5
Mr. Chan Ting Leuk Arthur	–	5/(a) to (e)	–	5
Mr. Hung Wai Che *(Note 1)*	–	–	–	–

Note:

1. Mr. Hung Wai Che was appointed as an independent non-executive Director on 26 August 2026.

2026 BOARD PERFORMANCE REVIEW

The Board recognises that conducting regular evaluation of its performance is essential to good corporate governance and Board effectiveness. In 2026, an external consultant firm, OCF Corporate Advisory Limited, which is independent of the Group and its Directors, was engaged to evaluate the performance of the Board for the eighteen months ended 30 June 2026. The Nomination Committee supports and draws guidance from this annual evaluation.

The evaluation required each Director to complete a questionnaire to provide individual ratings and comments across a range of areas. The purpose of the evaluation is to ensure that the Board and its committees continue to perform effectively in meeting the duties and responsibilities expected of them, and to develop action plans to improve performance. The external consultant conducted interviews with directors and members of senior management and attended board and committee meetings as an observer. The evaluation results and action plans were presented to Board.

The scope of the evaluation covered multiple aspects, including board composition and skills, board culture and dynamics, board practices, quality and timeliness of information to the board, board meetings, compliance and training, risk management and internal controls and stakeholder engagement and effectiveness of each Board committee were assessed. The evaluation results were then analyzed and submitted to the Nomination Committee and the Board in aggregate form, without attributing specific comments or ratings to individual Board members, to maintain confidentiality, encourage a culture of trust, and enable open and frank discussions.

Following the performance review for 2026, the Board concludes that its existing practices are effective and that no significant areas for improvement have been identified. The Board is satisfied that it has achieved its performance objectives and that each Director has contributed positively to the overall effectiveness of the Board and its committees.

The 2027 action plan aims to further strengthen the Company's corporate governance frameworks and support its sustainable, long-term strategic growth. Under this plan, the Board will elevate its focus on dedicated strategic sessions during future meetings to formally review, refine, and align the Company's long-term mission and forward-looking vision statements. Continuous professional development also remains a core priority; while current training support is fully adequate, the Board intends to introduce more targeted training sessions focusing on the latest corporate governance updates and recent amendments to the Listing Rules. Furthermore, the Board will continue to reinforce its proactive succession planning framework to ensure smooth board transitions, maintain optimal committee composition, and safeguard continuous, robust compliance with all regulatory requirements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements for the eighteen months ended 30 June 2026 which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

The Directors are aware that the Group recorded a loss of approximately HK$65,736,000 for the eighteen months ended 30 June 2026, and, as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK$197,863,000 and HK$182,873,000, respectively. This condition, along with other matters as set forth in "Note 2 to the Consolidated Financial Statements" of this Annual Report, indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the eighteen months ended 30 June 2026, the position of Chairman and chief executive officer remained vacant and their roles and functions were performed by all the executive directors collectively.

The Chairman takes primary responsibility for the work of the Board, by ensuring its effective function, while the chief executive officer bears executive responsibilities for the Company's businesses and the management of the day-to-day operations of the Company.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to assist the Board in discharging its duties and to oversee particular aspects of the Group's affairs. All the Board Committees have clear written terms of reference and have to report on their decisions and recommendations to the Board. These written terms of reference are available for access at the principal place of business of the Company in Hong Kong and each of the committee members was furnished with a copy of the respective terms of reference.

The written terms of reference of the Board Committees are also available on the websites of the Company (www.skyblue11.com) and the Stock Exchange.

All business dealt with by the Board Committees were well-documented. Draft and final versions of the Board Committees' minutes are sent to all the respective Board Committees' members for comments and records within reasonable time.

1. Audit Committee

The Audit Committee comprises solely independent non-executive Directors. As at 30 June 2026, the Audit Committee consisted of two independent non-executive Directors, namely Ms. Ching Ching (chairlady) and Mr. Chan Ting Leuk Arthur. As at the date of this Annual Report, the Audit Committee consists of three independent non-executive Directors, namely, Ms. Ching Ching (chairlady), Mr. Chan Ting Leuk Arthur and Mr. Hung Wai Che.

The Audit Committee is responsible for the following:

- reviewing and supervising the Company's financial reporting process, risk management and internal control systems;
- reviewing the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements;
- making recommendations as to the effectiveness of internal control and risk management;
- monitoring the compliance with statutory and listing requirements and to oversee the relationship with the external auditor; and

— reviewing arrangements to enable employees of the Company to raise concerns about improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee meets the external auditor and the senior management twice a year to discuss any areas of concern during the audits.

For the eighteen months ended 30 June 2026, the Audit Committee has reviewed (i) the annual report of the Group for the year ended 31 December 2024, (ii) the interim report of the Group for the 6 months ended 30 June 2025, (iii) the second interim report of the Group for the 12 months ended 31 December 2025, (iv) the external auditor's engagement letter with recommendation to the Board for approval, (v) the determination and reporting of key audit matters, and (vi) the effectiveness of the risk management and internal control systems and internal audit function.

For the eighteen months ended 30 June 2026, 4 meetings were held with the Management and/or the external auditor. Members of the Audit Committee and their respective attendance at committee meetings held during their term of office are listed below:

	Number of Audit Committee Meetings attended/eligible to attend
Committee members	
Dr. Song Donglin	2/2
Ms. Ching Ching	4/4
Mr. Chan Ting Leuk Arthur	1/1
Mr. Hung Wai Che	–

Note:

1. Dr. Song Donglin was retired on 6 June 2025.

2. Mr. Chan Ting Leuk Arthur was appointed on 5 September 2025.

3. Mr. Hung Wai Che was appointed after the eighteen months ended 30 June 2026 covered by this Annual Report.

2. Remuneration Committee

The Remuneration Committee comprises solely independent non-executive Directors. As at 30 June 2026, the Remuneration Committee consisted of two independent non-executive Directors, namely Mr. Chan Ting Leuk Arthur (chairman) and Ms. Ching Ching. As at the date of this Annual Report, the Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Chan Ting Leuk Arthur (chairman), Ms. Ching Ching and Mr. Hung Wai Che.

Its primary responsibilities include recommending, reviewing and determining the remuneration policy and packages of Directors and senior management. Directors do not participate in the determination of their own remuneration.

For the eighteen months ended 30 June 2026, the Remuneration Committee has reviewed and recommended to the Board for the Directors' remuneration. In making recommendations to the Board on the Directors' remuneration, the Remuneration Committee considered a number of factors including time commitment, responsibilities, qualification and the prevailing market rate. The remuneration of the Directors will be determined by the Board after obtaining authorisation at the general meetings of the Company.

For the eighteen months ended 30 June 2026, the Remuneration Committee held 2 meetings. Members of the Remuneration Committee and their respective attendance at the committee meetings held during their term of office are listed below:

	Number of Remuneration Committee Meetings attended/eligible to attend
Committee members	
Dr. Song Donglin	2/2
Mr. Chan Ting Leuk Arthur	–
Ms. Ching Ching	2/2
Mr. Hung Wai Che	–
Mr. Wong Xiang Hong	1/1

Note:

1. Dr. Song Donglin was retired on 6 June 2025.

2. Mr. Chan Ting Leuk Arthur was appointed on 5 September 2025.

3. Mr. Hung Wai Che was appointed after the eighteen months ended 30 June 2026 covered by this Annual Report.

4. Mr. Wong Xiang Hong was appointed on 26 February 2025 and resigned on 27 May 2026.

Details of the emoluments of the Directors and senior management of the Company are set out in note 11 to the Consolidated Financial Statements of this Annual Report.

For the eighteen months ended 30 June 2026, none of the five highest paid employees served as the Directors or senior management of the Company. The number of non-Director or non-senior management highest paid employees whose remuneration fell within the following bands was as follows:

	Number of individuals
	Eighteen months ended 30 June 2026
HK$2,000,001-HK$2,500,000	1
HK$2,500,001-HK$3,000,000	1
HK$4,000,001-HK$4,500,000	2
HK$5,500,001-HK$6,000,000	1
	5

3. Nomination Committee

The Nomination Committee comprises solely independent non-executive Directors. As at 30 June 2026, the Nomination Committee consisted of two independent non-executive Directors, namely Mr. Chan Ting Leuk Arthur (chairman) and Ms. Ching Ching. As at the date of this Annual Report, the Nomination Committee consists of three independent non-executive Directors, namely, Mr. Chan Ting Leuk Arthur (chairman), Ms. Ching Ching and Mr. Hung Wai Che.

Its primary responsibilities are to assist the Board to review the structure of the Board and make recommendations to the Board on the appointment or re-appointment of Directors to the Board. It also reviews the Company's adopted board diversity policy (the "**Board Diversity Policy**"), as appropriate, to ensure its continued effectiveness and make recommendations to the Board for consideration and approval.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted the Board Diversity Policy in November 2013. Such policy aims to set out the approach to achieve diversity for the Board. The Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

All Board appointments shall be based on merits and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates for Board members shall be based on a range of diversity perspectives including, but not limited to, gender, age, race, experience, cultural and educational background, skills and other qualities considered relevant and applicable. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

The Nomination Committee monitors the implementation of the Board Diversity Policy and reviews the Board Diversity Policy annually. The Nomination Committee also ensure the continued effectiveness of the Board Diversity Policy. The Nomination Committee shall discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

As at 30 June 2026,

- four Directors were within the age range of 40-49;
- two Directors were male and two Directors were female; and
- one Director served the Board for less than one year, one Director served the Board for over one year but less than two years and two Directors served the Board for over five years.

As at the date of this Annual Report,

- five Directors were within the age range of 40-50;
- three Directors were male and two Directors were female; and
- two Directors served the Board for less than one year, one Director served the Board for over one year but less than two years and two Directors served the Board for over five years.

As at 30 June 2026 and the date of this Annual Report,

- one Director possessed appropriate professional qualifications in finance and accounting and meets the requirements of the Listing Rules;
- two Directors were independent in accordance with the Listing Rules as at 30 June 2026, while three Directors were independent in accordance with the Listing Rules as at the date of this Annual Report;
- all Directors contributed to the business of the Company with their own knowledge and experience.

In addition, as at 30 June 2026, the ratio of male and female employees of the Group was approximately 1:1.13.

Nomination Policy

The Company adopted a nomination policy (the "**Nomination Policy**") in compliance with the CG Code. The Nomination Committee and/or the Board shall consider the following criteria in evaluating and selecting candidates for directorships:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Group's business and corporate strategy;

- Willingness to devote adequate time to discharges duties as a Board member and other directorships and significant commitments;

- Requirement for the Board to have independent directors in accordance with the Listing Rules (as amended from time to time) and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; and

- Such other perspectives appropriate to the Group's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

For the eighteen months ended 30 June 2026, the Nomination Committee has reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors.

For the eighteen months ended 30 June 2026, the Nomination Committee held 3 meetings with the Management. Members of the Nomination Committee and their respective attendance at the committee meetings held during their term of office are listed below:

	Number of Nomination Committee Meetings attended/held
Committee members	
Dr. Song Donglin	3/3
Mr. Chan Ting Leuk Arthur	–
Ms. Ching Ching	3/3
Mr. Hung Wai Che	–
Mr. Wong Xiang Hong	2/2

Note:

1. Dr. Song Donglin was retired on 6 June 2025.

2. Mr. Chan Ting Leuk Arthur was appointed on 5 September 2025.

3. Mr. Hung Wai Che was appointed after the eighteen months ended 30 June 2026 covered by this Annual Report.

4. Mr. Wong Xiang Hong was appointed on 26 February 2025 and resigned on 27 May 2026.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company. For the eighteen months ended 30 June 2026, the Board has discharged the following corporate governance duties:

- To develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- To review and monitor the training and CPD of Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- To review the Company's compliance with the CG Code and disclosure in the section headed "Corporate Governance Report" of this Annual Report; and
- To implement such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's consolidated financial statements for the eighteen months ended 30 June 2026 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

For the eighteen months ended 30 June 2026, auditor's remuneration for audit services and non-audit services were approximately HK$800,000 and HK$220,000 respectively.

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael ("**Mr. Ngai**"), from Khoo & Co., an external service provider, has been engaged by our Company as our Company Secretary to support the Board by ensuring that there is good information flow within the Board and that the Board policies and procedures are followed. The primary corporate contact person at the Company is Ms. Li Weina, Director. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Ngai through the contact person assigned. Hence, all Directors are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with code provision C.6.4 of the CG Code. Having in place a mechanism that Mr. Ngai will get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Ngai as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations. For the eighteen months ended 30 June 2026, Mr. Ngai has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems and internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the Management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has established risk management policy to formulate the risk management process. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. With reference to enterprise risk management – integrated framework issued by the Committee of Sponsoring Organisations of the Treadway Commission and the Company's enterprise risk management processes is summarised as follows:

1. Project initiation
2. Risk identification
3. Risk analysis
4. Risk treatment
5. Risk monitoring
6. Risk reporting

The risk management and internal control systems are reviewed at least annually to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security to ensure appropriateness and effectiveness.

The Management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the risk management and internal control systems.

The Management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the eighteen months ended 30 June 2026.

The heads of each core business segment monitor compliance with policies and procedures and the effectiveness of internal control systems in respect of their responsible business segments. For the eighteen months ended 30 June 2026, the Company did not have an internal audit function. The Board currently takes the view that there is no immediate need to set up an internal audit function considering the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. The Company has engaged an independent internal control consultant, OCF Corporate Advisory Limited, to carry out the internal audit function. The assessment covers all material controls including financial, operational and compliance controls, as well as risk management functions for the eighteen months ended 30 June 2026. It was also reported that there were no significant changes in the Company's assessment of significant risks (including ESG risks) as compared with that of last year and the Company can respond to the market changes in its business and external environment.

The Audit Committee has reviewed the assessment report with the Management, and noted that no material deficiencies are brought to its attention. The Company also conducted a review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the eighteen months ended 30 June 2026. Accordingly, the Board was satisfied that the prevailing risk management and internal control systems of the Group are effective and adequate.

The Board, as supported by the Audit Committee as well as the Management, reviewed the effectiveness of risk management and internal control systems, including the financial, operational and compliance controls, for the eighteen months ended 30 June 2026, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources. Based on the above, the Board formed the view that the Company has established effective and adequate risk management and internal control systems and no significant control failings or weaknesses were identified for the eighteen months ended 30 June 2026 or that were previously reported but remain unresolved.

Whistleblowing Policy

The Group has adopted a whistleblowing policy to allow the employees or other stakeholders (such as suppliers and customers) of the Group to raise concerns, in confidence, with the Audit Committee about the possible improprieties in any matter related to the Group.

Anti-corruption Policy

The Group has adopted the anti-corruption policy, which outlines the Group's zero-tolerance stance against bribery and corruption, setting out the responsibilities of all business units and employees of the Group, ensuring that they comply with the applicable anti-corruption laws, rules and regulations.

Procedures for the handling and dissemination of inside information

The Group complies with the requirements of the SFO and the Listing Rules for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group will immediately disclose the information to the public. The Group is committed to ensuring that information contained in the announcements or circulars of the Company are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMMUNICATION WITH SHAREHOLDERS

The Board considers that effective communication with shareholders of the Company ("**Shareholder(s)**") is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Board also recognises the importance of timely disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

The various channels via which the Company communicates with Shareholders include interim and annual reports, information on the websites of the Stock Exchange and the Company, annual general meeting and other general meetings that may be convened. In developing and formulating business strategy of the Company, the Board considers such key issues raised and takes shareholder feedback into account and conclude that the current communication policy with Shareholders and investors are effective for the eighteen months ended 30 June 2026.

RIGHTS OF SHAREHOLDERS

(i) The right to attend the annual general meeting and to receive information

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the directors. The chairman and the chairman of the Board Committees will attend the annual general meeting to answer Shareholders' questions. In their absence, he/she should invite another member of the committee or his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent Shareholders' approval. The external auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence.

Copies of the reporting documents, including financial statements, the Directors' report and the auditor's report must be sent to members at least 21 clear days before the annual general meeting of the Company.

(ii) The right to convene an extraordinary general meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

(iii) The voting powers at the Shareholders' meetings

Every Shareholder has the right to vote at the Shareholders meetings subject to provisions of the Bye-laws.

(iv) The power to elect and re-elect Directors and auditors

The Shareholders could hold individual director (or the Board as a whole) to account for their actions by voting against their re-election. The Bye-laws provides at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years.

For the Directors to retire by rotation, and if they wish, they may submit themselves for re-election at the annual general meeting. The retiring Directors are eligible for reappointment to the office. Without the prescribed approval of the Shareholders, the Company shall not agree to any provision under which a Director's term of employment exceeds or may exceed three years.

The Shareholders also have the right to approve (or reject) the appointment of the auditors each year. The Company may by an ordinary resolution passed at a general meeting to remove a person from the office of auditor despite any agreement between the person and the Company or anything in the Bye-laws.

(v) The right to receive information of the Company

The Company shall keep Shareholders informed of certain developments and to obtain shareholder approval for certain transactions in accordance with the Listing Rules. In these cases, the Company must communicate with the Shareholders and seek their support.

(vi) The right to communicate with the Company

The chairman or the executive Directors should ensure that the views of the Shareholders are communicated to the Board as a whole and the chairman or the executive Directors should discuss strategy and governance with the major Shareholders.

Non-executive Directors should be given the opportunity to attend general meetings with major Shareholders, and should be expected to attend general meetings if requested by major Shareholders.

CONSTRUCTIVE USE OF GENERAL MEETINGS

(i) Effectiveness of general meetings

Shareholders should be given the opportunity to send in written questions before the meeting. There should be a circulation of a brief summary of points raised at the annual general meeting to all Shareholders after the event. The Board should despatch a circular accompanying the annual general meeting notice, which contains comprehensive information on the business to be transacted at the meeting, together with summary procedure governing voting at the annual general meeting and frequently asked questions regarding voting procedures.

The Company should arrange for the notice of the annual general meeting and the related papers to be sent to the Shareholders at least 21 clear days before the meeting. For other general meetings, this should be at least 14 clear days in advance.

(ii) Giving Shareholders an opportunity to ask questions

The chairman should attend the annual general meeting. He/she should also invite the chairmen of the Audit Committee, Nomination Committee and Remuneration Committee and any other committees (as appropriate) to be available to answer questions at the annual general meeting. In addition, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of Shareholders.

(iii) Voting procedure

At any general meeting, the Company proposes a separate resolution on each substantially separate issue and in particular proposes a resolution at the annual general meeting relating to the report and accounts. For each resolution, proxy appointment forms should provide Shareholders with the option to direct their proxy to vote either for or against the resolution, or to withhold their vote.

At any general meeting, there should also be a separate resolution to each substantially separate issue. The Company should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the Company should explain the reasons and material implications in the notice of the general meeting.

In the context of voting by proxy and poll results, the Company should ensure that all valid proxy appointments received are properly recorded and counted. For each resolution, after a vote has been taken, except where taken on a poll, the Company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company.

The Company should announce the poll results as soon as possible and at least 30 minutes before the commencement of the Stock Exchange's morning session or any pre-opening session on the business day following the general meeting. The poll results announcement must include: the number of shares entitling the holder to attend and vote at the general meeting; shares entitling the holder to attend and abstain from voting in favour; shares of holders that are required under the Listing Rules to abstain from voting; shares actually voted for a resolution and shares actually voted against a resolution.

SHAREHOLDERS' ENQUIRIES

Shareholders should direct their questions about their shareholdings to the Company's registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Shareholders and the investment community may at any time make a request for the Company's publicly available information. The designated contacts and addresses to enable them to make query in respect of the Company are:

Contact: The Board of Directors
Fax: 3421-1582
Address: Suite 3902, 39/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

CORPORATE WEBSITE

The Company's website is www.skyblue11.com.

Information submitted by the Company to the Stock Exchange is also posted as soon as practicable on the Company's website. Such information includes financial statements, results announcements, circulars, notices of general meetings and associated explanatory documents. All presentation materials provided in relation to the Company's annual general meeting and results announcement each year should be made available on the Company's website as soon as practicable after their release.

DIVIDEND POLICY

The Company adopted a policy on payment of dividends (the "**Dividend Policy**") in compliance with the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company may declare and pay dividends to the Shareholders by way of cash or by other means that the Board of the Company considers appropriate. It is the policy of the Board, in recommending dividends, to allow the Shareholders to participate in the Company's profits, and at the same time, to ensure the Company to retain adequate reserves for future growth.

Factors to consider

The Company's decision to declare or to pay any dividends in the future, and the amount of such dividends will depend upon, among other things, the current and future operations, financial condition, liquidity position and capital requirements of the Group, as well as dividends received from the Company's subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend. In addition, any final dividends for a financial year will be subject to the approval of the Shareholders.

General Principle

The declaration and payment of dividends by the Company is also subject to any restrictions under the laws of Bermuda, the laws of Hong Kong, the Bye-laws and any applicable laws, rules and regulations.

Review of the Dividend Policy

Whilst the Dividend Policy reflects the Board's current views on the financial and cash-flow position of the Group, the Board will continue to review the Dividend Policy from time to time and the Board may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be declared or paid in any particular amount for any given period. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sky Blue 11 Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 92 to 190, which comprise the consolidated statement of financial position as at 30 June 2026, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the eighteen months ended 30 June 2026, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2026, and of its consolidated financial performance and its consolidated cash flows for the eighteen months ended 30 June 2026 in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group recorded a loss of approximately HK$65,736,000 for the eighteen months ended 30 June 2026, and, as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK$197,863,000 and HK$182,873,000, respectively. This condition, along with other matters as set forth in Note 2 to the consolidated financial statements, indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit

Refer to Note 4 and Note 24 to the consolidated financial statements

Provision for expected credit loss on trade and bill receivables

The carrying value of the Group's trade and bills receivables as at 30 June 2026 amounted to HK$28,037,000, representing 13.4% of the Group's total assets as at 30 June 2026. The loss allowance charged to the statement of profit or loss for the eighteen months ended 30 June 2026 was HK$379,000, and the cumulative loss allowance for the trade and bills receivables carried as at 30 June 2026 was HK$73,713,000. The loss allowance for the impairment of trade and bills receivables was maintained to reduce the Group's trade and bills receivables to their estimated recoverable amounts.

1. We have assessed the appropriateness of evaluating the judgements and assumptions used for the impairment;

2. We have understood, evaluated and tested the key controls over the approval, recording and monitoring of trade and bills receivables;

3. We have tested, on a sample basis, the trade and bills receivables ageing analysis by checking the underlying invoices, contracts and bank remittance documents;

4. We have assessed the management's assessment on credit risk of trade and bills receivables to consider grouping of receivables;

5. We have assessed the probability of default of trade and bills receivables to reflect increase in credit risk or default and consider multiple forward-looking information should be incorporated to reflect the change in credit risk of receivables;

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(Continued)*

The key audit matter	How the matter was addressed in our audit

Refer to Note 4 and Note 24 to the consolidated financial statements *(Continued)*

Provision for expected credit loss on trade and bill receivables *(Continued)*

Management evaluated the estimated loss allowance based on historical repayment behavior of debtors, ageing profile, specific information on individual customers as well as experience with collection trends, and current economic and business conditions. The management's continued refinement of the impairment of trade and bills receivables based on known customer information could provide a significant change in estimate between periods. We focused the impairment assessment of the trade and bills receivables as a key audit matter because of the material amounts involved, the significant judgement estimation and assumptions by management involved in the determination of loss allowance under the expected credit losses model.

6. We have tested the information used to determine the expected impairment loss by considering subsequent cash collection performance;

7. We have sent audit confirmations to those customers with significant balances to verify their existence;

8. We have discussed the approach and other credit exposures since initial recognition with measurement and external valuer in respect of the expected credit losses of the trade and bills receivables.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(Continued)*

The key audit matter	How the matter was addressed in our audit

Refer to Note 4 and Note 23 to the consolidated financial statements

Valuation for Inventory

As at 30 June 2026, the Group's held inventories amounted to HK$84,590,000 (net of provision for impairment of inventories amounted to HK$81,790,000), representing 40.5% of the Group's total assets as at 30 June 2026.

Inventories are carried at the lower of cost and net realisable value ("**NRV**") and an allowance is made by the Group, where necessary, for obsolete and slow moving inventories. For impairment assessment purposes, the management of the Group determined the NRV of inventories based on the valuation performed by the independent and qualified professional valuer (the "**Valuer**"). The valuation is dependent on certain significant inputs, including inventories' nature, ageing profile, expiry dates and sales expectations using historical trends and other qualitative factors. The estimations are also subject to uncertainty as a result of future charges of market trends, customer demands and technology development.

1. We have understood, evaluated and tested the key controls on management's assessment on allowance for inventories;

2. We have evaluated the Group's procedures on identifying damaged or obsoleted inventory, and observe management's inventory count, on sample basis;

3. We have tested, on sample basis, the accuracy of ageing profile of individual inventory items by checking the underlying delivery documents and purchase invoices;

4. We have compared the valuation performed by the Valuer to the range provided by the independent valuation specialist. We further assessed the correctness of the related data used as inputs for the valuation;

5. We have assessed the appropriateness of the NRV of the inventories, on a sample basis, estimated by the management by comparing the actual selling price subsequent to year end or estimated market price that derive the NRV to the market prices achieved in the comparable inventories, based on our knowledge of the Group's business;

6. For the inventory items with no subsequent sales after the year end, we have discussed with management as to their net realisable value assessment and collaborate their explanations with sales orders on hand, current market price of similar products, historical margins and historical product life cycle of relevant inventory items, as appropriate.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit Committee are responsible for overseeing the Group's financial reporting process.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Fan Chi Hang Stephen (practising certificate number: P06144).

CLA Prism Hong Kong Limited
Certified Public Accountants
Hong Kong

28 September 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2026

	Notes	**Eighteen months ended 30 June 2026 HK$'000**	Year ended 31 December 2024 HK$'000
REVENUE	7	**49,318**	36,034
Cost of sales		**(14,268)**	(14,408)
Gross profit		**35,050**	21,626
Other income and losses, net	8	**(18,141)**	(1,386)
General and administrative expenses		**(54,019)**	(39,449)
Finance costs	9	**(24,556)**	(16,024)
Loss on disposal of subsidiaries	37	**(220)**	–
Impairment of financial assets, net		**(404)**	(69,616)
Impairment of non-financial assets, net		**(3,258)**	(59,716)
LOSS BEFORE TAX	10	**(65,548)**	(164,565)
Income tax expense	13	**(188)**	(548)
LOSS FOR THE PERIOD/YEAR		**(65,736)**	(165,113)
ATTRIBUTABLE TO:			
Owners of the Company		**(65,736)**	(165,113)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**HK cents**	HK cents
– Basic and diluted	15	**(14.80)**	(37.45)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2026

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
LOSS FOR THE PERIOD/YEAR	**(65,736)**	(165,113)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**10,278**	(1,226)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	**570**	1,110
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR, NET OF TAX	**10,848**	(116)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/YEAR	**(54,888)**	(165,229)
Attributable to:		
Owners of the Company	**(54,888)**	(165,229)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2026

	Notes	30 June 2026 HK$'000	31 December 2024 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**907**	926
Investment properties	17	**7,379**	27,169
Right-of-use assets	18(a)	**379**	1,201
Equity investment designated at fair value through other comprehensive income	20	**6,040**	5,470
Deferred tax assets	21	**285**	451
Long-term deposits	25	**–**	216
Total non-current assets		**14,990**	35,433
CURRENT ASSETS			
Finance lease receivables	22	**–**	–
Inventories	23	**84,590**	84,392
Trade and bills receivables	24	**28,037**	30,519
Prepayments, other receivables and other assets	25	**52,737**	48,748
Loans receivables	26	**–**	–
Cash and bank balances	27	**28,612**	28,499
Total current assets		**193,976**	192,158
CURRENT LIABILITIES			
Trade payables	28	**106,805**	99,947
Other payables and accruals	29	**29,046**	27,141
Borrowings	30	**153,949**	124,715
Lease liabilities	18(b)	**413**	564
Amount due to a shareholder	31	**92,705**	92,790
Tax payables		**8,921**	9,764
Total current liabilities		**391,839**	354,921
NET CURRENT LIABILITIES		**(197,863)**	(162,763)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(182,873)**	(127,330)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2026

	Notes	30 June 2026 HK$'000	31 December 2024 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	18(b)	**–**	655
NET LIABILITIES		**(182,873)**	(127,985)
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**44,429**	44,429
Other reserves	33	**146,406**	135,558
Accumulated losses		**(373,708)**	(307,972)
Capital deficiency		**(182,873)**	(127,985)

The consolidated financial statements on pages 92 to 190 were approved and authorised for issue by the board of directors on 28 September 2026 and are signed on its behalf by:

Li Weina
Director

Phen Chun Shing Vincent
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2026

	Share capital HK$'000 (Note 32)	Other reserves HK$'000 (Note 33)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2024	37,025	102,855	(142,859)	(2,979)
Loss for the year	–	–	(165,113)	(165,113)
Other comprehensive income/(loss) for the year:				
Change in fair value of equity investments designated at fair value through other comprehensive income	–	1,110	–	1,110
Exchange differences on translation of foreign operations	–	(1,226)	–	(1,226)
Total comprehensive loss for the year	–	(116)	(165,113)	(165,229)
Placing of new shares (note)	7,404	34,063	–	41,467
Transaction costs attributable to placing of new shares (note)	–	(1,244)	–	(1,244)
At 31 December 2024 and 1 January 2025	**44,429**	**135,558**	**(307,972)**	**(127,985)**
Loss for the period	**–**	**–**	**(65,736)**	**(65,736)**
Other comprehensive income for the period:				
Change in fair value of equity investments designated at fair value through other comprehensive income	**–**	**570**	**–**	**570**
Exchange differences on translation of foreign operations	**–**	**10,278**	**–**	**10,278**
Total comprehensive loss for the period	**–**	**10,848**	**(65,736)**	**(54,888)**
At 30 June 2026	**44,429**	**146,406**	**(373,708)**	**(182,873)**

Note:

On 22 December 2023, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place of a maximum of 74,049,028 placing shares to independent investors at a price of HK$0.56 per share. The placing was completed on 17 January 2024 pursuant to which the Company has allotted and issued 74,049,028 placing shares. The net proceeds derived from the placing amounted to approximately HK$40,223,000 and resulted in an increase in share capital of approximately HK$7,404,000 and share premium of approximately HK$34,063,000, net of transaction costs of approximately HK$1,244,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2026

	Notes	**Eighteen months ended 30 June 2026 HK$'000**	Year ended 31 December 2024 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(65,548)**	(164,565)
Adjustments for:			
Interest income	8	**(20)**	(134)
Interest on other loans	9	**24,480**	15,802
Interest on lease liabilities	9	**76**	222
Depreciation of right-of-use assets	10	**864**	1,681
Depreciation of property, plant and equipment	10	**84**	171
Losses on disposal of property, plant and equipment	8	**–**	146
Fair value losses on investment properties	8	**19,790**	1,732
Losses on disposal of financial assets measured at fair value through profit or loss	8	**–**	67
Gain on early termination of a leasing contract	8	**–**	(330)
Impairment of trade and bills receivables, net	10	**379**	67,516
Impairment of other receivables and other assets, net	10	**25**	2,100
Provision of impairment for prepayments	10	**179**	1,059
Provision of impairment for inventories, net	10	**3,079**	58,657
Losses on deregistration of subsidiaries	8	**–**	3
Loss on disposal of subsidiaries	37	**220**	–
		(16,392)	(15,873)
(Increase)/decrease in inventories		**(2,753)**	6,070
Decrease/(increase) in trade and bills receivables		**2,103**	(4,183)
Increase in prepayments, other receivables and other assets		**2,646**	(49,873)
(Increase)/decrease in cash in frozen bank account		**(380)**	41,367
Increase/(decrease) in trade payables		**–**	(1,142)
Increase in other payables and accruals		**1,704**	14,946
Decrease in amount due to a shareholder		**–**	(81,603)
Cash used in operations		**(13,072)**	(90,291)
Income tax paid, net		**–**	–
Net cash flows used in operating activities		**(13,072)**	(90,291)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2026

	Note	**Eighteen months ended 30 June 2026 HK$'000**	Year ended 31 December 2024 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5)**	–
Proceeds from disposal of property, plant and equipment		**–**	269
Interest received		**20**	134
Net cash flows generated from investing activities		**15**	403
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawn down of loans from other financial institutions		**36,090**	53,150
Repayment of loans from other financial institutions		**(14,665)**	–
Interest paid		**(16,671)**	(478)
Capital element of lease rentals paid		**(847)**	(1,375)
Interest element of lease rentals paid		**(76)**	(222)
Proceeds from placing of new shares		**–**	41,467
Transaction costs attributable to placing of new shares		**–**	(1,244)
Net cash flows generated from financing activities		**3,831**	91,298
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(9,226)**	1,410
Cash and cash equivalents at the beginning of the period/year	27	**22,416**	21,657
Effect of foreign exchange rate changes, net		**8,959**	(651)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	27	**22,149**	22,416

1 CORPORATE AND GROUP INFORMATION

Sky Blue 11 Company Limited (the "**Company**") was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Richmond House, 12 Par-la-Ville Road, Hamilton HM 08, Bermuda, effective from 23 July 2026. The address of its principal place of business in Hong Kong is Suite 3902, 39/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, effective from 21 November 2024.

Pursuant to the special resolution by the shareholders passed on 11 January 2024, the Certificate of Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 17 January 2024. Hence, the English name of the Company has been changed from "Balk 1798 Group Limited" to "Sky Blue 11 Company Limited" and the Chinese name "天璽曜11有限公司" has been adopted in place of "巴克1798集團有限公司" with effect from 17 January 2024.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") is principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts, (ii) executive jet management services, and (iii) manufacturing and sales of yachts and other yacht related businesses.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Able Summit Investment Limited	British Virgin Islands	US$1	100%	–	Investment holding
Balk Yacht (Hainan) Limited* (巴克遊艇(海南)有限公司)# ("**Balk Hainan**")	The People's Republic of China (the "**PRC**")	RMB150,000,000	–	100%	Manufacturing and refitting of yacht
Ideal Best Limited	British Virgin Islands	US$1	100%	–	Investment holding
International Business Aviation (Hong Kong) Limited	Hong Kong	HK$2	50%	50%	Executive jet management

1 CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
PacRay Tourism Development (Hong Kong) Limited	Hong Kong	HK$10,000	100%	–	Yacht businesses
Shanghai SyncMOS Semiconductor Company Limited* (上海新茂半導體有限公司)#	The PRC	US$7,000,000	–	100%	Design, distribution and trading of integrated circuit products and provision of related agency services in the PRC
SynMos Technologies Inc.	British Virgin Islands	US$1	100%	–	Investment holding
Win Win Property Investments Limited	British Virgin Islands	US$1	100%	–	Investment holding and sales of yachts

* For identification purposes only.

\# The entity is registered as a wholly-foreign-owned enterprise under laws of the PRC.

The above table lists the principal subsidiaries of the Company as at 30 June 2026 which, in the opinion of the directors of the Company, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

Change of Financial Year-End Date

On 24 December 2025, the Company has resolved to change the financial year-end date of the Company from 31 December to 30 June. Accordingly, the current financial period covers a period of eighteen months from 1 January 2025 to 30 June 2026. The comparative figures cover a period of twelve months from 1 January 2024 to 31 December 2024, which may not be comparable with amounts shown for the current period.

Material Uncertainty Related to Going Concern

The Group recorded a loss of approximately HK$65,736,000 for the eighteen months ended 30 June 2026, and, as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK$197,863,000 and HK$182,873,000, respectively. Further, as at 30 June 2026, the Group's cash in frozen bank account amounted to approximately RMB5,613,000, equivalent to approximately HK$6,463,000. The Group's current liabilities were mainly borrowings from third parties and amount due to a shareholder amounting to HK$153,949,000 and HK$92,705,000, respectively. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding this fact, the board of directors (the "**Directors**") consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligations as they fall due for at least the next fifteen months based on its projected cash flow forecasts. The directors of the Company have reviewed the financial position of the Group as at 30 June 2026, including its working capital and cash and bank balances, together with the projected cash flow forecasts for the next fifteen months and the directors of the Company consider that the Group is financial viable to continue as a going concern.

In addition, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

1. the Group will carefully monitor and control administrative costs and future capital expenditures;

2. the Group has been able to roll over the borrowings from existing credit for most of its short-term interest-bearing borrowings upon their maturity historically, the Group will continue to do so for the foreseeable future;

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Material Uncertainty Related to Going Concern *(Continued)*

3. a shareholder of the Group has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future and not call for any repayment of amount due to a shareholder until the Group is in a financial position to do so; and

4. the directors of the Company have carried out a detail review of the working capital forecast of the Group for not less than fifteen months from the period end date, which took into account the projected future working capital of the Group.

3 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS AND CHANGES IN OTHER ACCOUNTING POLICIES

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

In the current period, the Group has applied, for the first time, the following amendments to HKFRS Accounting Standards issued by the HKICPA which are effective for the Group's financial period beginning on 1 January 2025:

Amendments to HKAS 21	*Lack of Exchangeability*
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*
Amendments to HKFRS Accounting Standards	*Annual Improvements to HKFRS Accounting Standards – Volume 11*

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

3 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS AND CHANGES IN OTHER ACCOUNTING POLICIES *(Continued)*

New and amendments to HKFRS Accounting Standards issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 21	*Translation to a Hyperinflationary Presentation Currency*[1]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[1]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[1]

[1] Effective for annual periods beginning on or after 1 January 2027.

[2] Effective date to be determined.

The directors of the Company are in the process of making an assessment of what the impacts of these new and amendments to standards are expected to be 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 consolidated financial statements except for the following:

HKFRS 18 "Presentation and Disclosure in Financial Statements" ("HKFRS 18")

HKFRS 18 will replace HKAS 1 "Presentation of financial statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and disclosures of the consolidated financial statements.

4 MATERIAL ACCOUNTING POLICY INFORMATION

Historical cost basis

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests, unless as required by another standards, are measured at acquisition date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts recognised at the acquisition date are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investments in associates *(Continued)*

The requirements of HKAS 36 *Impairment of Assets* ("**HKAS 36**") are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group' performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

(a) Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

(b) Executive jet and super yacht management service fees are recognised when such services are rendered.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Variable consideration

For contracts that contain variable considerations, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exists regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payments and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments received and the transfer of the associated goods and services, are accounted for on the same basis as other borrowing costs.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

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

Leasing

Definition of a leasee

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application of HKFRS 16 *Leases* ("**HKFRS 16**") or arising from business combinations, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and

- A lease contracts modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets (Continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "General and administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Lease modification

For operating lease

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Retirement benefits costs and termination benefits

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method as follows:

Leasehold improvements	4-5 years or shorter of the lease term
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are interest in land and buildings held to earn rental income and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investment properties *(Continued)*

If a property held for sale becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that property at the date of transfer is recognised in profit or loss.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

If an investment property becomes an property under development for sale in the ordinary course of business when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an property under development.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of yacht inventories are determined on the specific identification basis, while costs of other inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price less the estimated costs of completion and costs necessary to make the sale.

Cash and bank balances

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**") and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTOCI (debt instruments)

The Group's debt instruments are classified and measured subsequently at FVTOCI Financial assets at amortised cost (debt instruments) if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debts instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Other income and losses, net' line item in profit or loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Other income and losses, net' line item. Fair value is determined in the manner described in note 36.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**"**s**) on investments in debt instruments that are measured at amortised cost and finance lease receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for certain trade receivables and finance lease receivables. The ECLs on these financial assets are estimated individually for debtors with significant balances or credit-impaired and/or collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Measurement and recognition of expected credit losses

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'Other income and losses, net' line item in profit or loss.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Modification of financial liabilities

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions

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

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment on property, plant and equipment, and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Related parties

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

1. A person, or a close member of that person's family, is related to the Group if that person:
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or of a parent of the Group.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Related parties *(Continued)*

2. An entity is related to the Group if any of the following condition applies:

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

   (ii) 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).

   (iii) The entity and the Group are joint ventures of the same third party.

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

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

   (vi) The entity is controlled or jointly controlled by a person identified in (1).

   (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

Key sources of estimation uncertainty

Valuation for inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off to the statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

Provision for expected credit loss on trade and bill receivables

Trade and bill receivables with significant balances or credit-impaired are assessed for ECL individually. In addition, the Group uses a provision matrix to calculate ECL for the trade and bill receivables which are individually insignificant. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on day past due for grouping of various customers' segments that have similar loss patterns. The provision matrix is mainly based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of correlation among historical observed rates, forecast economic conditions and ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bill receivables and is disclosed in note 24 to the consolidated financial statements.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimation of fair value of investment properties

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

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

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

The carrying amount of investment properties at 30 June 2026 was HK$7,379,000, details of which are set out in note 17 to the consolidated financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

6 OPERATING SEGMENT INFORMATION

For management's purpose, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(i) design and sales of integrated circuits and semi-conductor parts used in industrial and household measuring tools and display products;

(ii) executive jet management services;

(iii) manufacturing and sales of yachts and other yacht related businesses ("**Yacht businesses**");

(iv) property investment; and

(v) the "Headquarter and others" segment comprises principally the Group's corporate administrative and investment functions performed by the headquarter and provision of finance lease services.

6 OPERATING SEGMENT INFORMATION *(Continued)*

These main operations are the basis on which the management identifies the primary segment information.

The management regularly reviews the basis in order to make decisions about resources to be allocated to the segment and assess its performance.

	Design and sales of integrated circuits HK$'000	Executive jet management HK$'000	Yacht businesses HK$'000	Property investment HK$'000	Headquarter and others HK$'000	Total HK$'000
Eighteen months ended 30 June 2026						
Revenue from external customers	49,318	–	–	–	–	49,318
Operating loss	(643)	(367)	(10,350)	(19,790)	(34,418)	(65,568)
Interest income	20	–	–	–	–	20
Loss before income tax	(623)	(367)	(10,350)	(19,790)	(34,418)	(65,548)
Other segment information:						
Depreciation of property, plant and equipment	(84)	–	–	–	–	(84)
Depreciation of right-of-use assets	(864)	–	–	–	–	(864)
Fair value losses on investment properties	–	–	–	(19,790)	–	(19,790)
Provision for impairment of inventories, net	(110)	–	(2,969)	–	–	(3,079)
Provision for impairment of prepayments	–	–	(179)	–	–	(179)
(Provision for)/reversal of impairment of financial assets, net	(95)	(367)	(16)	–	74	(404)
Finance costs	(73)	–	–	–	(24,483)	(24,556)
Capital expenditure*	5	–	–	–	–	5
Segment assets	36,892	21,249	134,140	7,380	9,305	208,966
Segment liabilities	6,621	2,520	129,730	–	252,968	391,839

6 OPERATING SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits HK$'000	Executive jet management HK$'000	Yacht businesses HK$'000	Property investment HK$'000	Headquarter and others HK$'000	Total HK$'000
Year ended 31 December 2024						
Revenue from external customers	31,034	–	5,000	–	–	36,034
Operating (loss)/profit	(176)	4,747	(139,882)	(1,762)	(27,626)	(164,699)
Interest income	36	–	68	–	30	134
(Loss)/profit before income tax	(140)	4,747	(139,814)	(1,762)	(27,596)	(164,565)
Other segment information:						
Depreciation of property, plant and equipment	(85)	–	–	–	(86)	(171)
Depreciation of right-of-use assets	(590)	–	(205)	–	(886)	(1,681)
Fair value losses on investment properties	–	–	–	(1,732)	–	(1,732)
Provision for impairment of inventories	(1,119)	–	(57,538)	–	–	(58,657)
Provision for impairment of prepayments	–	–	(1,059)	–	–	(1,059)
Reversal of/(provision for) impairment of financial assets, net	85	4,784	(72,935)	–	(1,550)	(69,616)
Finance costs	(22)	–	–	–	(16,002)	(16,024)
Capital expenditure*	1,152	–	–	–	–	1,152
Segment assets	35,321	21,616	128,546	27,169	14,939	227,591
Segment liabilities	6,331	2,520	122,430	–	224,295	355,576

* For the eighteen months ended 30 June 2026, capital expenditure consists of additions to property, plant and equipment (year ended 31 December 2024: property, plant and equipment and right-of-use assets).

6 OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
The PRC	**49,318**	36,034

The revenue information above is based on the locations of the operations of the relevant business units.

(b) Non-current assets

	30 June 2026 HK$'000	31 December 2024 HK$'000
The PRC	**1,286**	2,343
Saipan	**7,379**	27,169
	8,665	29,512

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets and equity investments designated at FVTOCI.

6 OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

During the eighteen months ended 30 June 2026 and year ended 31 December 2024, revenue from customers of the corresponding period/year contributing over 10% of the Group's total revenue are as follows:

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
Customer A[1]	**17,807**	11,993
Customer B[1,3]	**5,736**	–
Customer C[1,3]	**5,502**	–
Customer D[2, 3]	**–**	5,000

1 The revenue was derived from design and sales of integrated circuits.

2 The revenue was derived from yacht businesses.

3 This customer did not contribute over 10% of turnover of the Group during the corresponding period/year.

7 REVENUE

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
Revenue from contracts with customers		
Sales of integrated circuits	**49,318**	31,034
Sales of semi-finished yachts	**–**	5,000
	49,318	36,034

7 REVENUE *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the eighteen months ended 30 June 2026

Segments	Design and sales of integrated circuits HK$'000	Yacht businesses HK$'000	Total HK$'000
Type of goods or services			
Sales of goods	**49,318**	**–**	**49,318**
Total revenue from contracts with customers	**49,318**	**–**	**49,318**
Geographical market			
The PRC	**49,318**	**–**	**49,318**
Total revenue from contracts with customers	**49,318**	**–**	**49,318**
Timing of revenue recognition			
Goods transferred at a point in time	**49,318**	**–**	**49,318**
Total revenue from contracts with customers	**49,318**	**–**	**49,318**

7 REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2024

Segments	Design and sales of integrated circuits HK$'000	Yacht businesses HK$'000	Total HK$'000
Type of goods or services			
Sales of goods	31,034	5,000	36,034
Total revenue from contracts with customers	31,034	5,000	36,034
Geographical market			
The PRC	31,034	5,000	36,034
Total revenue from contracts with customers	31,034	5,000	36,034
Timing of revenue recognition			
Goods transferred at a point in time	31,034	5,000	36,034
Total revenue from contracts with customers	31,034	5,000	36,034

7 REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

The following table shows the movements in contract liabilities:

	Sales of goods	
	30 June 2026	31 December 2024
	HK$'000	HK$'000
Balance at the beginning of the period/year	**777**	846
Decrease in contract liabilities as a result of recognising revenue during the period/year that was included in the contract liabilities at the beginning of the period/year	**(777)**	(846)
Increase in contract liabilities as a result of cash received	**183**	777
Balance at the end of the period/year	**183**	777

(ii) Performance obligations

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

Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery for sales of integrated circuities and 365 days from delivery for sales of yachts, respectively.

8 OTHER INCOME AND LOSSES, NET

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
Fair value losses on investment properties	**(19,790)**	(1,732)
Losses on disposal of financial assets measured at FVTPL	**–**	(67)
Gain on early termination of a leasing contract	**–**	330
Government grants (note a)	**7**	31
Interest income	**20**	134
Losses on deregistration of subsidiaries	**–**	(3)
Losses on disposal of property, plant and equipment	**–**	(146)
Research and development income	**114**	–
Infringement compensation income	**1,346**	–
Sundry income	**162**	67
	(18,141)	(1,386)

Note:

(a) The amount mainly represented the unconditional subsidies received from the local governments where the Group entities were located for encouragement of business development activities in the local areas.

9 FINANCE COSTS

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
Interests on:		
Lease liabilities (note 18(b))	**76**	222
Other loans	**24,480**	15,802
	24,556	16,024

10 LOSS BEFORE TAX

The Group's loss before tax was arrived at after charging:

	Notes	**Eighteen months ended 30 June 2026 HK$'000**	Year ended 31 December 2024 HK$'000 (Restated)
Cost of inventories sold		**14,268**	14,240
Depreciation expense on property, plant and equipment	16	**84**	171
Depreciation expense on right-of-use assets	18(a)	**864**	1,681
Auditor's remuneration			
– Audit services		**800**	800
– Other services		**220**	160
Directors' and senior management's remuneration	11	**1,527**	2,228
Employee benefits expenses (excluding directors' and senior management's remuneration (note 11)):			
Salaries, allowances and benefits in kind		**29,635**	24,615
Pension scheme contributions		**1,105**	915
		30,740	25,530
Foreign exchange difference, net		**7,059**	215
Impairment of trade and bills receivables, net#	24	**379**	67,516
Impairment of other receivables and other assets, net#	25	**25**	2,100
Provision for impairment of inventories, net*	23	**3,079**	58,657
Provision for impairment of prepayments*	25	**179**	1,059

Included in "Impairment of financial assets, net" in the consolidated statement of profit or loss.

* Included in "Impairment of non-financial assets, net" in the consolidated statement of profit or loss.

11 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Directors' and senior management's remuneration for the eighteen months ended 30 June 2026 and year ended 31 December 2024, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation (Disclosure of Information about Benefits of Directors), is as follows:

Name	Fees HK$'000	Salaries, allowances and other benefits shares HK$'000	Discretionary bonuses premium HK$'000	Employer's contribution to retirement benefit contribution HK$'000	Total HK$'000
Eighteen months ended 30 June 2026					
Executive directors:					
Ms. Li Weina	**612**	**–**	**–**	**27**	**639**
Mr. Phen Chun Shing Vincent *(note ii)*	**360**	**–**	**–**	**–**	**360**
Dr. Zhang Yu *(note i)*	**–**	**–**	**–**	**–**	**–**
	972	**–**	**–**	**27**	**999**
Independent non-executive directors:					
Ms. Ching Ching	**180**	**–**	**–**	**–**	**180**
Mr. Chan Ting Leuk Arthur *(note iii)*	**98**	**–**	**–**	**–**	**98**
Mr. Wong Xiang Hong *(note iv)*	**150**	**–**	**–**	**–**	**150**
Dr. Song Donglin *(note i)*	**100**	**–**	**–**	**–**	**100**
	528	**–**	**–**	**–**	**528**
	1,500	**–**	**–**	**27**	**1,527**

11 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(Continued)

Name	Fees HK$'000 (Restated)	Salaries, allowances and other benefits shares HK$'000 (Restated)	Discretionary bonuses premium HK$'000 (Restated)	Employer's contribution to retirement benefit contribution HK$'000 (Restated)	Total HK$'000 (Restated)
Year ended 31 December 2024					
Executive directors:					
Ms. Li Weina	390	–	–	18	408
Mr. Phen Chun Shing Vincent *(note ii)*	29	–	–	–	29
Dr. Zhang Yu *(note i)*	–	–	–	–	–
Mr. Zhang Fumin *(note v)*	52	–	–	–	52
	471	–	–	18	489
Independent non-executive directors:					
Ms. Ching Ching	120	–	–	–	120
Mr. Mak Tin Sang *(note vi)*	16	–	–	–	16
Dr. Song Donglin *(note i)*	240	–	–	–	240
Dr. Zhang Shengdong *(note v)*	52	–	–	–	52
	428	–	–	–	428
Chief Executive Officer:					
Mr. Lam Fuk Tak *(note vii)*	–	1,305	–	6	1,311
	899	1,305	–	24	2,228

There was no arrangement under which a director or a senior management waived or agreed to waive any remuneration during the eighteen months ended 30 June 2026 and year ended 31 December 2024.

Notes:

i Retired on 6 June 2025.
ii Appointed on 12 November 2024.
iii Appointed on 5 September 2025.
iv Appointed on 26 February 2025 and resigned on 27 May 2026.
v Retired on 6 June 2024.
vi Appointed on 20 September 2024 and resigned on 8 November 2024.
vii Terminated on 14 May 2024.

12 FIVE HIGHEST PAID EMPLOYEES

For the eighteen months ended 30 June 2026, none of the five highest paid employees served as the directors or senior management of the Company (year ended 31 December 2024: one) whose emoluments are reflected in note 11. Details of the remuneration for the eighteen months ended 30 June 2026 of the remaining five (year ended 31 December 2024: four) highest paid employees were as follows:

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000 (Restated)
Salaries, allowances and benefits in kind	**19,102**	9,610
Pension scheme contribution	**–**	–
	19,102	9,610

The number of non-director or non-senior management highest paid employees whose remuneration fell within the following bands was as follows:

	Number of individuals	
	Eighteen months ended 30 June 2026	Year ended 31 December 2024 (Restated)
HK$1,500,001-HK$2,000,000	**–**	1
HK$2,000,001-HK$2,500,000	**1**	2
HK$2,500,001-HK$3,000,000	**1**	–
HK$3,000,001-HK$3,500,000	**–**	1
HK$4,000,001-HK$4,500,000	**2**	–
HK$5,500,001-HK$6,000,000	**1**	–
	5	4

During the eighteen months ended 30 June 2026 and year ended 31 December 2024, no emolument was paid by the Group to the directors or senior management of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 8.25% on the first HK$2,000,000 estimated assessable profits arising in Hong Kong and 16.5% on such profits above HK$2,000,000 during the period/year. Taxes on assessable profits for the PRC subsidiaries are provided at the Enterprise Income Tax rate of 25% and Special Enterprise Income Tax rate of 15%.

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
Current tax:		
– PRC Enterprise Income Tax	**–**	500
	–	500
Under-provision in prior years – PRC Enterprise Income Tax	**–**	150
Current tax	**–**	650
Deferred tax (note 21)	**188**	(102)
Total tax charge for the period/year	**188**	548

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using domestic tax rates applicable to loss in the respective countries as follows:

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
Loss before tax	**(65,548)**	(164,565)
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(11,131)**	(32,751)
Income not subject to tax	**–**	(5)
Expenses not deductible for tax	**4,106**	2,737
Under-provision in prior years	**–**	150
Tax losses not recognised	**6,404**	5,513
Temporary differences not recognised	**809**	24,904
Income tax expense	**188**	548

14 DIVIDEND

No dividend was paid or proposed during the eighteen months ended 30 June 2026 (year ended 31 December 2024: Nil) nor has any dividend been proposed since the end of the reporting period (year ended 31 December 2024: Nil).

15 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the owners of the company is based on the following data:

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
Loss attributable to owners of the Company	**(65,736)**	(165,113)

	Number of shares	
	Eighteen months ended 30 June 2026 '000	Year ended 31 December 2024 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (note a)	**444,294**	440,855

Notes:

(a) The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share placing on 17 January 2024.

(b) The Group has not issued any potentially dilutive ordinary shares during the eighteen months ended 30 June 2026 and year ended 31 December 2024.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor Vehicle HK$'000	Total HK$'000
Cost				
At 1 January 2024	103	8,787	2,397	11,287
Disposals	(38)	(539)	(1,439)	(2,016)
Exchange realignment	–	(93)	(3)	(96)
At 31 December 2024 and 1 January 2025	**65**	**8,155**	**955**	**9,175**
Additions	**–**	**5**	**–**	**5**
Exchange realignment	**–**	**553**	**17**	**570**
At 30 June 2026	**65**	**8,713**	**972**	**9,750**
Accumulated depreciation				
At 1 January 2024	(99)	(7,736)	(1,534)	(9,369)
Provided for the year (note 10)	(2)	(97)	(72)	(171)
Disposals	36	522	648	1,206
Exchange realignment	–	57	28	85
At 31 December 2024 and 1 January 2025	**(65)**	**(7,254)**	**(930)**	**(8,249)**
Provided for the period (note 10)	**–**	**(84)**	**–**	**(84)**
Exchange realignment	**–**	**(495)**	**(15)**	**(510)**
At 30 June 2026	**(65)**	**(7,833)**	**(945)**	**(8,843)**
Net carrying amount				
At 30 June 2026	**–**	**880**	**27**	**907**
At 31 December 2024	–	901	25	926

17 INVESTMENT PROPERTIES

	Completed Investment Properties HK$'000
FAIR VALUE	
At 1 January 2024	28,901
Decrease in fair value recognised in profit or loss	(1,732)
At 31 December 2024 and 1 January 2025	**27,169**
Decrease in fair value recognised in profit or loss	**(19,790)**
At 30 June 2026	**7,379**

The Group's investment properties comprise a leasehold land with certain apartment buildings in Saipan.

The fair value of the Group's investment properties was based on the valuation performed by Graval Consulting Limited, an independent professional qualified valuer, which was valued at approximately HK$7,379,000 (31 December 2024: HK$27,169,000). Each reporting period/year, the management decides the appointment of the external valuer to be responsible for the valuation of the Group's investment properties. The selection criteria include market knowledge, reputation, independence and their professional standards. The management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting purpose.

There has been no change from the valuation technique used in the prior reporting period/year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Particular of the Group's investment properties is as follows:

Location	Use	Tenure	Attributable interest of the Group
Tract Number 21942-6 located in Capitol Hill, Saipan, Northern Mariana Island	Residential	Medium term lease	100%

17 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30 June 2026				
Recurring fair value measurement for:				
Completed investment properties	**–**	**–**	**7,379**	**7,379**
As at 31 December 2024				
Recurring fair value measurement for:				
Completed investment properties	–	–	27,169	27,169

During the eighteen months ended 30 June 2026 and year ended 31 December 2024, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties held by the Group	**Valuation technique**	**Significant unobservable input**	**Range**	**Relationship of input to fair value**
Tract Number 21942-6 located in Capitol Hill, Saipan, Northern Mariana Island	Sales comparison method	Estimated market price per square feet adjusted for conditions of the properties (US$)	27-62 (31 December 2024: 128-198)	The higher the estimated market price, the higher the fair value

17 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Fair value of the Group's investment properties is generally derived using sales comparison method based on market comparables of similar properties.

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of the investment properties. The method rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors, including the transaction date, level of floor, environmental atmosphere, size of apartment and the like. A significant increase/decrease in the estimated market price per square feet in isolation would result in a significant increase/decrease in the fair value. The sharp decline in estimated market price from US$128-198 per square feet to US$27-62 per square feet during the eighteen months ended 30 June 2026 resulted in a fair value loss of HK$19,790,000 recognised in profit or loss, indicating high sensitivity to Saipan market conditions.

18 LEASES

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the eighteen months ended 30 June 2026 and year ended 31 December 2024 are as follows:

	Office premises HK$'000
As at 1 January 2024	4,888
Additions	1,152
Depreciation expense (note 10)	(1,681)
Termination	(3,159)
Exchange realignment	1
As at 31 December 2024 and 1 January 2025	**1,201**
Depreciation expense (note 10)	**(864)**
Exchange realignment	**42**
As at 30 June 2026	**379**

The Group has leased office premises for its daily operations. The lease term is 2 years (year ended 31 December 2024: 3 years), with an option to renew the lease, at which time all terms are renegotiated. Lease payments are usually increased when lease term ends to reflect current market rentals.

18 LEASES *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the eighteen months ended 30 June 2026 and year ended 31 December 2024 are as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
Carrying amount at the beginning of the period/year	**1,219**	5,485
Additions (note a)	**–**	1,152
Payments	**(923)**	(1,597)
Accretion of interest recognised during the period/year (note 9)	**76**	222
Termination (note b)	**–**	(4,045)
Exchange realignment	**41**	2
Carrying amount at the end of the period/year	**413**	1,219
Analysed into:		
Current	**413**	564
Non-current	**–**	655
	413	1,219
Amounts payable under lease liabilities		
Within 1 year	**413**	564
After 1 year but within 2 years	**–**	599
After 2 years but within 5 years	**–**	56
	413	1,219

Notes:

(a) During the year ended 31 December 2024, additions to lease liabilities of HK$1,152,000 represented a renewal of a lease agreement with a term of 2 years for office premise.

(b) During the year ended 31 December 2024, the Group terminated a lease agreement in respect of renting office premises and derecognised a right-of-use asset and lease liabilities amounting to HK$3,159,000 and HK$4,045,000, respectively, resulting a gain on early termination of a leasing contract of approximately HK$330,000, net of termination expense of approximately HK$556,000.

18 LEASES *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Eighteen months ended 30 June 2026 HK$'000	Year ended 31 December 2024 HK$'000
Interest expense on lease liabilities (note 9)	**76**	222
Depreciation expense on right-of-use assets (note 18(a))	**864**	1,681
Expense relating to short-term leases rental paid under operating lease	**177**	173
Gain on early termination of a leasing contract	**–**	(330)
Total amounts recognised in profit or loss	**1,117**	1,746

(d) Others

During the eighteen months ended 30 June 2026, total cash outflows for leases amounted to HK$1,100,000 (year ended 31 December 2024: HK$1,770,000).

19 INVESTMENT IN AN ASSOCIATE

	31 December 2024 HK$'000
Share of net assets	–
Goodwill on acquisition	–
Impairment of investment in an associate	–
	–

Particulars of the associate are as follows:

Company name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Red Power Developments Limited ("**Red Power**")	Ordinary shares	British Virgin Islands/ the PRC	31 December 2024: –	Development, sales, lease and maintenance of equipment involving aviation technology and provision of air transportation services

The Group's shareholdings in the associate comprised equity shares held by the Company.

In prior years, the Company acquired 20.2% of the equity interest in Red Power and its subsidiaries (the "**Red Power Group**") by issuing 33,658,000 ordinary shares of the Company. The directors of the Company considered that the Group could only exercise significant influence over the Red Power Group based on its board composition and current shareholding, and accordingly, it was classified as an associate of the Group. Red Power Group was accounted for using equity method in the consolidated financial statement.

Red Power was an investment holding company and its subsidiaries, Liaoning Meridian Aviation Co., Ltd. (遼寧子午線航空有限公司) and Meridian Aviation Technology (Tianjin) Co., Ltd. (子午線航空技術(天津)有限公司), were engaged in the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC.

Since 2021, the COVID-19 pandemic and the resultant travel restrictions and quarantine requirements had dreadfully impacted the worldwide aviation industry. The Red Power Group were also victimised by these epidemic control measures, which in turn, severely affected the businesses and cash flow forecast of Red Power Group. Accordingly, the Group assessed a full impairment of the investment in an associate due to non-performance of the Red Power Group in prior years.

On 2 May 2024, Red Power is deregistered. The directors of the Company assessed the recoverability of the investment in Red Power and it was expected to be uncollectable, the investment was fully written-off during the year ended 31 December 2024.

20 EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2026 HK$'000	31 December 2024 HK$'000
Equity investment designated as at FVTOCI		
Unlisted investment, at fair value		
Cornerstone Securities Limited	**6,040**	5,470

The above equity investment is not held for trading. Instead, it is held for medium-to-long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for strategic long-term purposes and realising their performance potential in the long run. Details of fair value measurement are set out in note 36.

21 DEFERRED TAX ASSETS

	Provision of impairment for inventories HK$'000
At 1 January 2024	354
Credited to profit or loss	102
Exchange realignment	(5)
At 31 December 2024 and at 1 January 2025	**451**
Charged to profit or loss	**(188)**
Exchange realignment	**22**
At 30 June 2026	**285**

The Group had tax losses arising in Hong Kong of HK$133,292,000 (year ended 31 December 2024: HK$132,898,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in the PRC of HK$1,491,000 (year ended 31 December 2024: HK$1,679,000) that can be carried forward for five years to offset future taxable profits and the period was extended to ten year for a subsidiary that is qualified as a High New Technology Enterprise. Deferred tax assets have not been recognised in respect of these tax losses as the directors of the Company did not consider it is probable that taxable profits will be available against which the tax losses can be utilised.

22 FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2026 HK$'000	31 December 2024 HK$'000	**30 June 2026 HK$'000**	31 December 2024 HK$'000
Finance lease receivables comprise:				
Within one year	**5,725**	5,725	**5,671**	5,671
Gross investment in lease	**5,725**	5,725	**5,671**	5,671
Less: Unearned finance income	**(54)**	(54)	**–**	–
Present value of minimum lease payments	**5,671**	5,671	**5,671**	5,671
Less: Impairment	**(5,671)**	(5,671)	**(5,671)**	(5,671)
	–	–	**–**	–

The movement in the loss allowance for impairment of finance lease receivables is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
At the beginning and the end of the period/year	**5,671**	5,671

The Group applies the HKFRS 9 general approach to measure expected credit losses which uses a 12-month ECL for finance lease receivables. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group determines the provision for ECL by exercising significant judgements to evaluate the collectability from individual finance lease receivable after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest payment, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of finance lease receivables.

23 INVENTORIES

	30 June 2026 HK$'000	31 December 2024 HK$'000
Raw materials	**435**	1,226
Work in progress	**81,406**	78,950
Finished goods	**2,749**	4,216
Inventories, net of provision for impairment	**84,590**	84,392

The movements in the provision for impairment of inventories are as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
At the beginning of the period/year	**74,862**	17,243
Provision for impairment of inventories	**3,206**	58,657
Reversal of impairment of inventories	**(127)**	–
Write-off of impairment of inventories	**(1,366)**	–
Exchange realignment	**5,215**	(1,038)
At the end of the period/year	**81,790**	74,862

During the eighteen months ended 30 June 2026, the Group made a provision for impairment on yachts of approximately HK$2,969,000 (year ended 31 December 2024: approximately HK$57,538,000) to their net realisable value which is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. Management engaged an independent professional qualified valuer, Graval Consulting Limited in determining the estimated selling price of the yachts in using sales comparison method based on market comparables of similar assets.

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of yachts. The method rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar assets, subject to allowance for variable factors, including the transaction date, condition, size of yacht and the like.

23 INVENTORIES *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of yachts:

	Valuation technique	Significant unobservable input	Weighted average	Relationship of input to fair value
Yachts	Sales comparison method	Estimated market price per yacht	HK$32,889,000 (31 December 2024: HK$32,000,000	The higher the estimated market price, the higher the fair value

There was no change in the valuation techniques and significant assumptions made during the reporting period/year.

During the eighteen months ended 30 June 2026, the reversal of impairment of inventories made in prior periods arose due to increase in the estimated net realisable value of certain integrated circuits as a result of change in customer preferences.

24 TRADE AND BILLS RECEIVABLES

	30 June 2026 HK$'000	31 December 2024 HK$'000
Trade receivables	**94,749**	99,749
Loss allowance	**(73,541)**	(73,227)
	21,208	26,522
Bills receivables	**7,001**	4,104
Loss allowance	**(172)**	(107)
	6,829	3,997
Trade and bills receivables	**28,037**	30,519

24 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months, extending up to ten months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain a strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a few number of major customers, there is concentration of credit risk and further details are discussed in note 38(b) to the consolidated financial statements. The Group does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest bearing.

The ageing analysis of trade receivables as at the end of the reporting period/year, based on invoice or delivery dates and net of loss allowance, is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
Within 1 month	**–**	4,947
More than 1 month but less than 3 months	**–**	–
More than 3 months	**21,208**	21,575
	21,208	26,522

The movement in the loss allowance for impairment of trade receivables is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
At the beginning of the period/year	**73,227**	5,723
Impairment loss for the period/year (note)	**367**	72,956
Reversal of impairment loss for the period/year	**(53)**	(5,452)
At the end of the period/year	**73,541**	73,227

Note:

During the year ended 31 December 2024, impairment of approximately HK$72,945,000 was provided in relation to a receivable from prior-year yacht sales amounted to approximately HK$72,945,000 as the directors of the Company considered that the receivable has been credit-impaired because the amount has been past due for more than one year and no settlement has been collected. During the eighteen months ended 30 June 2026, actions have been taken by the management to recover the impaired balance.

24 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using the probability of default, loss given default and the exposure at default with reference to the historical data of the market of the debtors' industry and relevant forwardlooking information. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

	Current		Past due				Total	
			1 to 3 months		Over 3 months			
	30 June 2026	31 December 2024	**30 June 2026**	31 December 2024	**30 June 2026**	31 December 2024	**30 June 2026**	31 December 2024
Expected credit loss rate	**–**	1.06%	**–**	–	**77.62%**	77.23%	**77.62%**	73.41%
Gross carrying amount (HK$'000)	**–**	5,000	**–**	–	**94,749**	94,749	**94,749**	99,749
Expected credit losses (HK$'000)	**–**	53	**–**	–	**73,541**	73,174	**73,541**	73,227

24 TRADE AND BILLS RECEIVABLES *(Continued)*

(b) Bills receivables

The ageing analysis of bills receivables as at the end of the reporting period/year, based on issuance dates and net of loss allowance, is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
Within 1 month	**1,185**	526
More than 1 month but less than 3 months	**1,369**	1,473
More than 3 months but less than 6 months	**4,275**	736
More than 6 months but within 1 year	**–**	1,262
	6,829	3,997

The movement in the loss allowance for impairment of bills receivables is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
At the beginning of the period/year	**107**	95
Impairment loss for the period/year	**65**	12
At the end of the period/year	**172**	107

25 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2026 HK$'000	31 December 2024 HK$'000
Prepayments (note a)	**43,725**	41,982
Deposits and other receivables (note b)	**14,049**	11,815
Loss allowance	**(5,037)**	(4,833)
	52,737	48,964
Less: non-current portion	**–**	216
Current portion	**52,737**	48,748

Notes:

(a) Included in prepayments are mainly represents the payments to Liaoning Jinlong Mega Yacht Manufacturing Co. Limited ("**Jinlong**"), one of the suppliers of the Group, in relation to three semi-finished yachts. In April 2022, Balk Hainan and Jinlong entered into three contracts to purchase three semi-finished yachts at a total consideration of RMB73,390,000 (equivalent to approximately HK$90,082,000) of which the Company paid RMB35,500,000 (equivalent to approximately HK$42,130,000) in May 2022. On 3 September 2024, the remaining balance of the consideration of RMB37,890,000 (equivalent to approximately HK$40,917,000) was withdrawn by Intermediate People's Court of Huludao Municipality, Liaoning Province. As the three semi-finished yachts supplied by Jinlong failed to pass the quality control tests conducted by Balk Hainan, RMB37,890,000 was not yet settled. The Group is still entitled to claim the prepayments from Jinlong before Jinlong passes the quality control tests. An impairment analysis is performed in prepayments at each reporting date and impairment losses are estimated by a loss rate of 3% (31 December 2024: 3%) with reference to the historical loss record of the Group.

The movement in the provision for the impairment of prepayments is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
At the beginning of the period/year	**1,059**	–
Impairment loss for the period/year (note 10)	**179**	1,059
At the end of the period/year	**1,238**	1,059

25 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

(Continued)

Notes: *(Continued)*

(b) Deposits and other receivables mainly represent rental deposits and other receivables. An impairment analysis is performed in deposits and other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit rating can be identified, expected credit losses are estimated by a loss rate of 27% (31 December 2024: 32%) with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forward-looking information, as appropriate.

The movement in the loss allowance for the impairment of deposits and other receivables is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
At the beginning of the period/year	**3,774**	1,674
Impairment loss for the period/year	**119**	2,100
Reversal of impairment loss for the period/year	**(94)**	–
At the end of the period/year	**3,799**	3,774

26 LOANS RECEIVABLES

	30 June 2026 HK$'000	31 December 2024 HK$'000
Loans receivables, unsecured	**8,718**	8,718
Loss allowance	**(8,718)**	(8,718)
	–	–

The Group's loans receivables were stated at amortised cost with fixed interest rates at 5% and 10%. The credit terms of these loans receivables ranged from one to two years.

26 LOANS RECEIVABLES *(Continued)*

The movement in the loss allowance for the impairment of loans receivables is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
At the beginning and end of the period/year	**8,718**	8,718

The Group applies general approach to measure expected credit losses which uses a 12-month ECL for loans receivables. The Group determines the provision for ECL by exercising significant judgements to evaluate the collectability from individual loans receivable after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of loans receivables.

During the eighteen months ended 30 June 2026, the management has revisited the recoverability of the loan receivables. In assessing the recoverability, the management has taken into account the fact that loan receivables were long past due and no settlement were made during the reporting period, the loans receivables were fully impaired. Actions have also been outlined by the management to be taken to recover impaired or long-aged balances.

27 CASH AND BANK BALANCES

	30 June 2026 HK$'000	31 December 2024 HK$'000
Cash and cash equivalents	**22,149**	22,416
Cash in frozen bank account	**6,463**	6,083
	28,612	28,499

As at 30 June 2026, the cash and bank balances of the Group's subsidiary in the PRC denominated in Renminbi ("**RMB**") amounted to approximately HK$28,076,000 (31 December 2024: approximately HK$28,065,000). The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB to other currencies through banks authorised to conduct foreign exchange business.

Save as disclosed in note 25 of this consolidated financial statements, these bank deposits were frozen as a result of a ruling in respect of preservation of frozen accounts receivable issued by The People's Court of Longgang District, Huludao City in the PRC on 11 April 2023 (the "**Ruling**"), which was against Jinlong, for its failure to repay a loan borrowed from a bank in the PRC. On 3 September 2024, RMB37,890,000 (equivalent to approximately HK$40,917,000) was withdrawn by the Intermediate People's Court of Huludao Municipality, Liaoning Province. The remaining balance in the same bank account remains frozen subject to further court procedures to unfreeze the account. The frozen cash deposits decreased from RMB5,633,000 (equivalent to approximately HK$6,083,000) as at 31 December 2024 to RMB5,613,000 (equivalent to approximately HK$6,463,000) as at 30 June 2026. As of the date of this Annual Report, the Group's legal adviser is still dealing with the remaining frozen amount, and no further significant progress has been made regarding the residual balance

Cash at banks and time deposits earn interest at floating rate based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28 TRADE PAYABLES

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

	30 June 2026 HK$'000	31 December 2024 HK$'000
More than 3 months	**106,805**	99,947

The trade payables are non-interest bearing and are normally settled within 30 to 90 days.

29 OTHER PAYABLES AND ACCRUALS

	30 June 2026 HK$'000	31 December 2024 HK$'000
Accruals	**10,072**	10,328
Contract liabilities (note a)	**183**	777
Other payables (note b)	**18,791**	16,036
	29,046	27,141

Notes:

(a) Details of contract liabilities are as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
Short-term advances received from customers		
Sales of integrated circuits	**183**	777

The following table shows the amount of revenue recognised relates to sales of integrated circuits and the amount relates to performance obligations that were satisfied during the eighteen months ended 30 June 2026 and year ended 31 December 2024.

Eighteen months ended 30 June 2026	**Sales of integrated circuits HK$'000**
Revenue recognised that was included in the contract liability balance at the beginning of the period	**777**

Year ended 31 December 2024	Sales of integrated circuits HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	846

(b) The other payables are unsecured, interest-free and have an average term of one month.

30 BORROWINGS

	30 June 2026 HK$'000	31 December 2024 HK$'000
Other loans		
On demand and unsecured	**153,949**	124,715

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	30 June 2026	31 December 2024
Effective interest rates:		
Fixed-rate borrowings	**8% to 18%**	8% to 18%

31 AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

32 SHARE CAPITAL

	Number of shares '000	Ordinary shares HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2024, 31 December 2024, 1 January 2025 and 30 June 2026	1,000,000	100,000
Issued and fully paid:		
At 1 January 2024	370,245	37,025
Placing of new shares (note)	74,049	7,404
At 31 December 2024, 1 January 2025 and 30 June 2026	444,294	44,429

Note:

On 22 December 2023, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place of a maximum of 74,049,028 placing shares to independent investors at a price of HK$0.56 per share. The placing was completed on 17 January 2024 pursuant to which the Company has allotted and issued 74,049,028 placing shares. The net proceeds derived from the placing amounted to approximately HK$40,223,000 and resulted in an increase in share capital of approximately HK$7,404,000 and share premium of approximately HK$34,063,000, net of transaction costs of approximately HK$1,244,000.

33 OTHER RESERVES

	Share premium HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 January 2024	122,468	(14,840)	(18,640)	13,867	102,855
Other comprehensive income/ (loss) for the year:					
Changes in fair value of equity investments designated at FVTOCI	–	–	1,110	–	1,110
Exchange differences on translation of foreign operations	–	(1,226)	–	–	(1,226)
Total comprehensive (loss)/ income for the year	–	(1,226)	1,110	–	(116)
Placing of new shares	34,063	–	–	–	34,063
Transaction costs attributable to placing of new shares	(1,244)	–	–	–	(1,244)
At 31 December 2024 and 1 January 2025	**155,287**	**(16,066)**	**(17,530)**	**13,867**	**135,558**
Other comprehensive income for the period:					
Changes in fair value of equity investments designated at FVTOCI	**–**	**–**	**570**	**–**	**570**
Exchange differences on translation of foreign operations	**–**	**10,278**	**–**	**–**	**10,278**
Total comprehensive income for the period	**–**	**10,278**	**570**	**–**	**10,848**
At 30 June 2026	**155,287**	**(5,788)**	**(16,960)**	**13,867**	**146,406**

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the eighteen months ended 30 June 2026, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$nil (year ended 31 December 2024: HK$1,152,000) and HK$nil (year ended 31 December 2024: HK$1,152,000), respectively as a result of renewal of a lease agreement for office premise.

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HK$'000 (Note 30)	Lease liabilities HK$'000 (Note 18(b))	Total HK$'000
At 1 January 2024	–	5,485	5,485
Changes from financing cash flows:			
Drawn down of loan from other financial institutions	53,150	–	53,150
Interest paid	(478)	–	(478)
Capital element of lease rentals paid	–	(1,375)	(1,375)
Interest element of lease rentals paid	–	(222)	(222)
Total changes from financing cash flows	52,672	(1,597)	51,075
Other changes:			
Decrease in lease liabilities from termination of a leasing contract	–	(4,045)	(4,045)
Interest expense (note 9)	15,802	222	16,024
Increase in lease liabilities from extension of lease term (note 34(a))	–	1,152	1,152
Foreign exchange movement	–	2	2
Other non-cash transaction	56,241	–	56,241
Total other changes	72,043	(2,669)	69,374

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Reconciliation of liabilities arising from financing activities

(Continued)

	Borrowings HK$'000 (Note 30)	Lease liabilities HK$'000 (Note 18(b))	Total HK$'000
At 31 December 2024 and 1 January 2025	**124,715**	**1,219**	**125,934**
Changes from financing cash flows:			
Drawn down of loan from other financial institutions	**36,090**	**–**	**36,090**
Repayment of loan from other financial institutions	**(14,665)**	**–**	**(14,665)**
Interest paid	**(16,671)**	**–**	**(16,671)**
Capital element of lease rentals paid	**–**	**(847)**	**(847)**
Interest element of lease rentals paid	**–**	**(76)**	**(76)**
Total changes from financing cash flows	**4,754**	**(923)**	**3,831**
Other changes:			
Interest expense (note 9)	**24,480**	**76**	**24,556**
Foreign exchange movement	**–**	**41**	**41**
Total other changes	**24,480**	**117**	**24,597**
At 30 June 2026	**153,949**	**413**	**154,362**

35 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties during the eighteen months ended 30 June 2026 and year ended 31 December 2024.

(a) Outstanding balances with related parties

Balances with related parties are set out in note 31 to the consolidated financial statements.

(b) Key management compensation

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

	30 June 2026 HK$'000	31 December 2024 HK$'000 (Restated)
Salaries, allowances and benefits in kind	**1,527**	2,228

36 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than the equity investments designated at FVTOCI, all financial assets and liabilities of the Group as at 30 June 2026 and 31 December 2024 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of equity investments designated at FVTOCI, financial assets included in finance lease receivables, trade and bills receivables, other receivables and other assets, loans receivables, cash and bank balances, trade and other payables, borrowings, lease liabilities, amount due to a shareholder approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors of the Company and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors of the Company. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The fair values of unlisted equity investments designated at FVTOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the management to determine comparable public companies (peers) based on industry and size and to calculate an appropriate market multiple, i.e. price-to-earning ratio of 7.97 (31 December 2024: price-to-earning ratio of 7.83) for each comparable company identified. The multiple is calculated by dividing the market capitalisation of the comparable company by earnings (31 December 2024: earnings). The change in selected market multiple is due to change in the financial performance of the investee and for which the management's specialist considered appropriate to best reflect the fair value of the investment. The market multiple is then discounted for considerations such as illiquidity of 11.40% (31 December 2024: 11.40%) and size differences of 0% (31 December 2024: 0%) between the comparable companies based on company-specific facts and circumstances. The directors of the Company believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model, the higher the market multiple and lower discounted multiples will result in higher fair value of the investments. A 10% increase/decrease in the market multiple, holding the discount for illiquidity constant, would result in an increase/decrease in fair value by approximately HK$604,000 (2024: HK$547,000). A 5 percentage-point increase/decrease in the discount for illiquidity (i.e. to 16.4%/6.4%), holding the market multiple constant, would result in a decrease/increase in fair value by approximately HK$341,000 (2024: HK$309,000).

36 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity investments designated at FVTOCI	**–**	**–**	**6,040**	**6,040**

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at FVTOCI	–	–	5,470	5,470

During the eighteen months ended 30 June 2026 and year ended 31 December 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

36 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

The movement in fair value measurements within Level 3 during the period/year are as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
Equity investments designated at FVTOCI		
At the beginning of the period/year	**5,470**	4,360
Changes in fair value recognised in other comprehensive income	**570**	1,110
At the end of the period/year	**6,040**	5,470

The Group did not have any financial liabilities measured at fair value as at 30 June 2026 and 31 December 2024.

37 DISPOSAL OF SUBSIDIARIES

On 17 February 2025, the Group entered into a sale and purchase agreement with an independent third party for the disposal of the entire equity interest in Pacray Corporate Services Group Limited, a wholly-owned subsidiary of the Group, and its subsidiary ("**Pacray Group**"), for a consideration of HK$1. Pacray Group was engaged in provision of management services to the Group. The transaction was completed on 28 February 2025.

Net assets of Pacray Group as at the date of disposal were as follows:

	28 February 2025 HK$'000
Prepayments, other receivables and other assets	**220**
Loss on disposal of subsidiaries	**(220)**
Total consideration satisfied by cash	**–**
Total consideration consist of:	
Cash consideration	**–**
Net cash inflow arising on disposal:	
Cash consideration	**–**

38 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

Financial assets

As at 30 June 2026

	Financial assets at amortised cost HK$'000	**Financial assets at FVTOCI HK$'000**	**Total HK$'000**
Equity investments designated at FVTOCI	**–**	**6,040**	**6,040**
Trade and bills receivables	**28,037**	**–**	**28,037**
Financial assets included in other receivables and other assets	**10,250**	**–**	**10,250**
Cash and bank balances	**28,612**	**–**	**28,612**
	66,899	**6,040**	**72,939**

As at 31 December 2024

	Financial assets at amortised cost HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
Equity investments designated at FVTOCI	–	5,470	5,470
Trade and bills receivables	30,519	–	30,519
Financial assets included in other receivables and other assets	8,041	–	8,041
Cash and bank balances	28,499	–	28,499
	67,059	5,470	72,529

38 FINANCIAL INSTRUMENTS *(Continued)*

(a) Categories of financial instruments *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2026	31 December 2024
	HK$'000	HK$'000
Lease liabilities	**413**	1,219
Trade payables	**106,805**	99,947
Other payables and accruals	**28,863**	26,364
Borrowings	**153,949**	124,715
Amount due to a shareholder	**92,705**	92,790
	382,735	345,035

(b) Financial risk management objectives and policies

Financial risk factors

The Group's principal financial instruments are used to raise financing for the Group's operations and investments. The Group has various other financial assets and liabilities such as equity investments designated at FVTOCI, finance lease receivables, trade and bills receivables, financial assets included in other receivables and other assets, loans receivables, cash and bank balances, trade and other payables, borrowings, lease liabilities, amount due to a shareholder which arise directly from its operations. Details of the financial instruments are disclosed in respective notes. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates in the PRC and Hong Kong. Most of the transactions for the PRC reporting entity is denominated in RMB, whereas that for Hong Kong reporting entities are denominated in HK$. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management is responsible for managing the net position in each foreign currency. The Group currently does not have a foreign currency hedging policy. As the assets and liabilities of the PRC reporting entity is mainly denominated in RMB, its functional currency, the directors of the Company are of the opinion that the volatility of their profits against changes in exchange rates of foreign currencies would not be significant. Accordingly, no sensitivity analysis is performed.

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Financial risk factors *(Continued)*

Foreign currency risk (Continued)

Moreover, as the assets and liabilities of the HK reporting entities are mainly denominated in HK$, its functional currency, the directors of the Company are of the opinion that the Group does not have significant foreign exchange risk. Accordingly, no sensitivity analysis is performed.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and interest-bearing financial liabilities. Interest-bearing financial assets are the interests on loans receivables and deposits with banks. Interests on deposits with banks based on deposit rates offered by bank while interests on loans receivables are based on fixed rates. Interest-bearing financial liabilities are lease liabilities and borrowings of which the interest are based on fixed rates. As at 30 June 2026 and 31 December 2024, the Group had no significant interest rate risk as the Group had no significant interest-bearing assets or liabilities at variable rates.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to the finance lease receivables, loans receivables and trade and bills receivables. In order to minimise the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverable amounts of finance lease receivables, loans receivables and trade and bills receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of those instruments.

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Financial risk factors *(Continued)*

Credit risk (Continued)

The credit risk for cash and bank balances is considered minimal as such amounts are placed with banks with high credit ratings.

As at 30 June 2026, the Group had concentrations of credit risk as 77% (2024: 73%) of the total trade receivables were due from the Group's largest external customer and 100% (2024: 96%) of the total trade receivables were due from the Group's five largest external customers. The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products and the Group actively monitors the credit quality of its customers and adjusts the credit limits granted to the customers should their credit quality deteriorate or when there are signs of slow payment of outstanding receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from these receivables are set out in notes 22, 24, 25 and 26 to the consolidated financial statements.

Maximum exposure and period/year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period/year-end staging classification as at 30 June 2026 and 31 December 2024. The amounts presented are gross carrying amounts for financial assets.

As at 30 June 2026

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Finance lease receivables	–	–	5,671	–	5,671
Trade and bills receivables*	7,001	–	–	94,749	101,750
Financial assets included in other receivables and other assets					
– Normal**	10,488	–	–	–	10,488
– Doubtful**	–	–	3,561	–	3,561
Cash and bank balances	28,612	–	–	–	28,612
Loans receivables	–	–	8,718	–	8,718
	46,101	–	17,950	94,749	158,800

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Financial risk factors *(Continued)*

Credit risk (Continued)

Maximum exposure and period/year-end staging *(Continued)*

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Finance lease receivables	–	–	5,671	–	5,671
Trade and bills receivables*	4,104	–	–	99,749	103,853
Financial assets included in other receivables and other assets					
– Normal**	8,254	–	–	–	8,254
– Doubtful**	–	–	3,561	–	3,561
Cash and bank balances	28,499	–	–	–	28,499
Loans receivables	–	–	8,718	–	8,718
	40,857	–	17,950	99,749	158,556

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the consolidated financial statements.

** The credit quality of other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets have a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 24 to the consolidated financial statements.

Liquidity risk

Internally generated cash flows and the loans from other financial institutions and substantial shareholders are the general sources of funds to finance the operations of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group aims to maintain sufficient bank deposits to meet its short-term cash requirements. The Group's liquidity risk management includes diversifying the funding sources.

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Financial risk factors *(Continued)*

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period/year, based on the contractual undiscounted payments, is as follows:

As at 30 June 2026	**On demand or within one year HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**106,805**	**–**	**106,805**
Other payables and accruals	**28,863**	**–**	**28,863**
Borrowings	**153,949**	**–**	**153,949**
Lease liabilities	**417**	**–**	**417**
Amount due to a shareholder	**92,705**	**–**	**92,705**
	382,739	**–**	**382,739**

As at 31 December 2024	On demand or within one year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	99,947	–	99,947
Other payables and accruals	26,364	–	26,364
Borrowings	124,715	–	124,715
Lease liabilities	569	725	1,294
Amount due to a shareholder	92,790	–	92,790
	344,385	725	345,110

Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total interest-bearing liabilities expressed as a percentage of the total equity and liabilities. As at 30 June 2026, the gearing ratio was approximately 73.7% (31 December 2024: 54.8%). Management considers a ratio of not more than 30% as optimal.

39 STATEMENT OF FINANCIAL POSITION

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	30 June 2026 HK$'000	31 December 2024 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**21,415**	34,427
Total non-current assets	**21,415**	34,427
CURRENT ASSETS		
Trade and bills receivables	**–**	4,947
Prepayments, other receivables and other assets	**2,977**	3,957
Cash and bank balances	**158**	126
Total current assets	**3,135**	9,030
CURRENT LIABILITIES		
Other payables and accruals	**12,902**	13,444
Borrowings	**153,949**	124,715
Amount due to a shareholder	**104,325**	104,325
Total current liabilities	**271,176**	242,484
NET CURRENT LIABILITIES	**(268,041)**	(233,454)
NET LIABILITIES	**(246,626)**	(199,027)
CAPITAL AND RESERVES		
Share capital	**44,429**	44,429
Other reserves (note)	**327,520**	327,520
Accumulated losses (note)	**(618,575)**	(570,976)
Capital deficiency	**(246,626)**	(199,027)

Approved and authorised for issue by the board of directors on 28 September 2026 and are signed on its behalf by:

Li Weina
Director

Phen Chun Shing Vincent
Director

39 STATEMENT OF FINANCIAL POSITION *(Continued)*

Note: Reserve movement of the Company

		Other reserves			
	Accumulated losses HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 January 2024	(334,931)	122,468	137,800	34,433	294,701
Loss for the year	(236,045)	–	–	–	–
Placing of new shares	–	34,063	–	–	34,063
Transaction costs attributable to placing of new shares	–	(1,244)	–	–	(1,244)
As at 31 December 2024 and 1 January 2025	(570,976)	155,287	137,800	34,433	327,520
Loss for the period	**(47,599)**	**–**	**–**	**–**	**–**
As at 30 June 2026	**(618,575)**	**155,287**	**137,800**	**34,433**	**327,520**

40 COMPARATIVE INFORMATION

Certain comparative figures have been restated to conform to the current period's presentation.

41 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 September 2026.