

**Bauhinia ILBS 3 Limited**

Annual report and financial statements

For the period from 9 June 2025 (date of incorporation) to 31 December 2025

**Bauhinia ILBS 3 Limited**

**Annual report and financial statements for the period from 9 June 2025 (date of incorporation) to 31 December 2025**

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**Bauhinia ILBS 3 Limited**

**Officers and professional advisers**

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**Directors**

ABBOTT, Giles David Cameron  
HUANG, Meng  
YU, Wing Sum

**Company secretary**

CSC Secretaries (Hong Kong) Limited  
(formerly known as "Intertrust Secretaries (Hong Kong) Limited")

**Registered office**

3806 Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**Business registration number**

78280418  
(Hong Kong)

**Sponsor and Collateral Manager**

The Hong Kong Mortgage Corporation Limited

**Transaction Administrator, Trustee, Account Bank, Calculation Agent, Principal Paying Agent,  
Registrar and Transfer Agent**

Deutsche Bank

**Auditor**

Ernst & Young  
Certified Public Accounts  
Public Interest Entity Auditor registered  
in accordance with the Accounting and  
Financial Reporting Council Ordinance

## **Directors' report**

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The directors present their first annual report together with the audited financial statements of Bauhinia ILBS 3 Limited (the "Company") for the period from 9 June 2025 (date of incorporation) to 31 December 2025.

### **Incorporation, principal activities, business review and future developments**

The Company was incorporated and domiciled in Hong Kong with its registered office and place of business at 3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company was established as a special purpose vehicle ("SPV") to raise funding by the issuance of US\$117,000,000 Class A1-SU senior secured floating rate notes (the "Class A1-SU Notes"), US\$229,900,000 Class A1 senior secured floating rate notes (the "Class A1 Notes"), US\$32,000,000 Class B senior secured floating rate notes (the "Class B Notes"), US\$33,000,000 Class C senior secured floating rate notes (the "Class C Notes") and US\$16,000,000 Class D senior secured floating rate notes (the "Class D Notes") all due October 2045 (together the "Notes") and listed on The Stock Exchange of Hong Kong Limited. The Company also issued US\$22,594,000 subordinated floating rate notes due October 2045 (the "Subordinated Notes").

Prior to the Closing Date, the Company entered into a Warehouse Sponsor loan agreement on 21 August 2025 with the seller to acquire the Pre-funded Infra Debt Obligations (the "Pre-funded IDO") of US\$49,095,763. The Warehouse Sponsor loan was fully settled at Closing Date.

On 17 October 2025 (the "Closing Date") the Company issued the Notes and used the funds to acquire a portfolio of 31 Infra Debt Obligations from The Hong Kong Mortgage Corporation Limited ("HKMC"), (the "Seller") together with the ancillary rights. Including the Pre-funded IDO, the Company acquired a total of 33 Infra Debt Obligations (the "Portfolio Assets").

The Company has also entered into a sponsor loan agreement with the seller and on the Closing Date received a loan of US\$4,300,000 from the Seller (the "Sponsor Loan") to enable the Company to fund the reserve account and working capital for the timing difference between interest from Portfolio Assets and distribution to noteholders. During the period, the Sponsor Loan remains unsettled at US\$4,300,000. The Sponsor Loan account will be repaid in accordance with the application of interest proceeds at each note payment date.

### **Going concern**

The Company is obliged to redeem the Notes at their principal amount outstanding upon maturity. However, due to the non-recourse nature of the Notes, the Company's ability to pay amounts due on the Notes is, in substance, limited to the application of the receipts from the Portfolio Assets under the terms of the priority of payments as set out in the terms and conditions of the Notes.

It is the intention of the directors for the Company to continue operations until such a time as the amounts due from the Portfolio Assets have been fully realised. Ultimately, due to the limited recourse nature of the Notes, any shortfall in the proceeds from the Portfolio Assets will be a risk to the holders of those Notes.

Therefore, the directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

### **Issue of shares**

The issued share capital consists of one unpaid ordinary share of HK\$1, issued on 9 June 2025 (date of incorporation).

### **Directors and their interests**

The directors of the Company during the period, and as of the date of this report, were:

ABBOTT, Giles David Cameron	(appointed 9 June 2025)
HUANG, Meng	(appointed 9 June 2025)
YU, Wing Sum	(appointed 9 June 2025)

None of the directors have any beneficial interest in the ordinary share capital of the Company.

None of the directors had any interest during the period in any material contract or arrangement with the Company.

**Directors' report (continued)**

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**Dividend**

The directors do not recommend the payment of a dividend in respect of the period from 9 June 2025 (date of incorporation) to 31 December 2025.

**Third party indemnities**

At no time during the financial period and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

**Company secretary**

CSC Secretaries (Hong Kong) Limited (formerly known as "Intertrust Secretaries (Hong Kong) Limited") acted as Company secretary during the period and subsequently.

**Auditor**

The auditor, Ernst & Young, was appointed on 30 October 2025 as the first auditor of the Company and are to remain in office until the conclusion of the Company's first annual general meeting. Having expressed their willingness to continue in office, a resolution for the re-appointment of Ernst & Young will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board



ABBOTT, Giles David Cameron  
Director

29 April 2026



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

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香港鰂魚涌英皇道 979 號  
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**Bauhinia ILBS 3 Limited**  
**Business Registration Number 78280418**

**Independent Auditor's report for the period from 9 June 2025 (date of incorporation) to 31 December 2025**

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**To the sole member of Bauhinia ILBS 3 Limited**  
(Incorporated in Hong Kong with limited liability)

**Opinion**

We have audited the financial statements of Bauhinia ILBS 3 Limited (the "Company") set out on pages 8 to 32, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the period from 9 June 2025 (date of incorporation) to 31 December 2025, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the period from 9 June 2025 (date of incorporation) to 31 December 2025 in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for opinion**

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

**Key audit matter**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



**Bauhinia ILBS 3 Limited**  
**Business Registration Number 78280418**

**Independent Auditor’s report for the period from 9 June 2025 (date of incorporation) to 31 December 2025 (continued)**

<b>Measurement of expected credit losses on the Portfolio Assets</b>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Refer to material accounting policies in Note 1, significant accounting judgements and estimates in Note 17, and disclosures on the Portfolio Assets, impairment allowances and credit risk in Note 8 and Note 16 to the financial statements.</p> <p>As at 31 December 2025, the Company’s gross carrying amount of the Portfolio Assets measured at amortised cost amounted to US\$443,507,610, representing 95.7% of the Company’s total assets.</p> <p>The Company applies the expected credit loss (“ECL”) model to assess the allowance for ECLs of the Portfolio Assets measured at amortised cost. As at 31 December 2025, the impairment provision for the Portfolio Assets measured at amortised cost was US\$656,502.</p> <p>The determination of ECLs involves the identification of loss stages, estimates of probability of default, loss given default, exposures at default, adjustments for forward looking information and other adjustment factors. Management judgement is involved in the selection of these parameters and the application of the assumptions.</p> <p>We identified the impairment of the Portfolio Assets measured at amortised cost as a key audit matter due to the significance of the Portfolio Assets and; the involvement of significant management judgements, estimates and assumptions in the ECLs measurement.</p>	<p>Our procedures in relation to the impairment assessment on the Portfolio Assets measured at amortised cost, included but not limited to:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Company’s key internal controls over the approval, recording and credit monitoring of the portfolio assets subject to ECLs;</li> <li>• Reviewed the Company’s policies on ECL measurement of the Portfolio Assets and discussed with the Company’s management to understand the methodology applied in the ECL model;</li> <li>• Assessed the reasonableness and appropriateness of the Company’s determination of significant increases in credit risk and its basis for classification of exposures into the 3 stages as required by HKFRS 9 based on the background, financial information, repayment history and other available information of the borrowers;</li> <li>• Evaluated and assessed the appropriateness of the methodologies and the reasonableness of the key assumptions and estimates used in the impairment assessment, with the support of our specialist;</li> <li>• Applied a risk-based sampling approach for assessing the loan staging through reviewing the selected borrowers’ detailed information, including but not limited to their financial performance and other available information;</li> <li>• Performed testing, on a sample basis, on the accuracy of the data used in the ECL calculation as at 31 December 2025, by comparing the individual data of the Portfolio Assets to the relevant data source, evaluating the calculation methodology and recomputing the impairment allowance; and</li> <li>• Assessed the adequacy of disclosures on the Company’s credit risk in the financial statements for compliance with the relevant accounting standards.</li> </ul>



**Bauhinia ILBS 3 Limited**  
**Business Registration Number 78280418**

**Independent Auditor's report for the period from 9 June 2025 (date of incorporation) to 31 December 2025 (continued)**

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### **Other information included in the Annual Report**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 section 405 of the Hong Kong Companies Ordinance, 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 HKASs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.



**Bauhinia ILBS 3 Limited**  
**Business Registration Number 78280418**

**Independent Auditor's report for the period from 9 June 2025 (date of incorporation) to 31 December 2025 (continued)**

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**Auditor's responsibilities for the audit of the financial statements (continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the 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 WONG, Shu Hing (practising certificate number: P06177).

*Certified Public Accountants*  
Hong Kong  
29 April 2026

**Bauhinia ILBS 3 Limited**  
**Business Registration Number 78280418**

**Statement of profit or loss and other comprehensive income for the period from 9 June 2025 (date of incorporation) to 31 December 2025**

*(Expressed in United States dollars)*

	<b>Note</b>	<b>Period from 9 June 2025 (date of incorporation) to 31 December 2025 \$</b>
Interest income	2	5,935,884
Interest expenses	3	(5,824,982)
<b>Net interest income</b>		110,902
Other income	4	868,061
Impairment allowances on Portfolio Assets	8	(656,502)
Other operating expense		(322,461)
<b>Profit from ordinary activities before taxation</b>	5	-
Taxation	7	-
<b>Profit from ordinary activities after taxation</b>		-
Other comprehensive income		-
<b>Profit and total comprehensive income for the period</b>		-

All amounts relate to continuing activities.

The notes on pages 12 to 32 form part of these financial statements.

**Statement of financial position as at 31 December 2025**

*(Expressed in United States dollars)*

	<b>Note</b>	<b>31 December 2025</b>
		<b>\$</b>
<b>Non-current assets</b>		
Portfolio Assets	8	442,851,108
<b>Current assets</b>		
Other receivables	9	3,800,194
Time deposits	10	12,384,042
Cash and cash equivalents	10	4,201,098
<b>Total current assets</b>		<b>20,385,334</b>
<b>Total assets</b>		<b>463,236,442</b>
<b>Current liabilities</b>		
Other payables and accruals	11	(6,147,443)
<b>Net current assets</b>		<b>14,237,891</b>
<b>Total assets less current liabilities</b>		<b>457,088,999</b>
<b>Non-current liabilities</b>		
Notes	12	(427,900,000)
Subordinated Notes	13	(21,404,590)
Sponsor Loan	18	(4,300,000)
Derivative financial instruments	14	(3,484,408)
		<b>(457,088,998)</b>
<b>Net assets</b>		<b>1</b>
<b>Capital and reserves</b>		
Share capital	15	1
Reserves		-
<b>Total shareholder's equity</b>		<b>1</b>

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2026 and signed on their behalf by:



ABBOTT, Giles David Cameron  
 Director



YU, Wing Sum  
 Director

The notes on pages 12 to 32 form part of these financial statements.

**Bauhinia ILBS 3 Limited**  
**Business Registration Number 78280418**

**Statement of changes in equity for the period from 9 June 2025 (date of incorporation) to 31 December 2025**

*(Expressed in United States dollars)*

	<b>Share capital</b>	<b>Reserves</b>	<b>Total shareholder's equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 9 June 2025 (date of incorporation)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Issue of shares	1	-	1
Profit and total comprehensive income for the period	-	-	-
<b>Balance as at 31 December 2025</b>	<b>1</b>	<b>-</b>	<b>1</b>

The notes on pages 12 to 32 form part of these financial statements.

**Cash flow statement for the period from 9 June 2025 (date of incorporation) to 31 December 2025**

*(Expressed in United States dollars)*

	<b>Note</b>	<b>Period from 9 June 2025 (date of incorporation) to 31 December 2025 \$</b>
<b>Operating activities</b>		
Profit from ordinary activities before taxation		-
<b>Adjustments for:</b>		
Interest income	2	(5,935,884)
Interest expenses	3	5,824,982
Changes in impairment allowances	8	656,502
Net losses on derivative financial instruments	4	3,279,352
Fair value adjustments on Subordinated Notes	4	(1,189,410)
Net foreign exchange gains	4	(2,958,003)
<b>Operating cash flow before changes in working capital</b>		<b>(322,461)</b>
Increase in other payables		322,461
<b>Cash outflow from operating activities</b>		<b>-</b>
<b>Investing activities</b>		
Payment for time deposits		(12,384,042)
Payment for acquisition and drawdown of Portfolio Assets		(450,493,266)
Proceeds from repayment of Portfolio Assets		9,944,830
Interest received		2,360,389
<b>Cash outflow from investing activities</b>		<b>(450,572,089)</b>
<b>Financing activities</b>		
Net proceeds from issuance of Notes and Subordinated Notes	10(a)	450,494,000
Proceed from Sponsor Loan	10(a)	4,300,000
Proceed from Warehouse Sponsor Loan	10(a)	49,095,763
Repayment for Warehouse Sponsor Loan	10(a)	(49,095,763)
<b>Cash inflow from financing activities</b>		<b>454,794,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,221,911</b>
Cash and cash equivalents as at 9 June 2025 (date of incorporation)		-
Effect of foreign exchange differences		(20,813)
<b>Cash and cash equivalents as at 31 December 2025</b>		<b>4,201,098</b>
<b>Analysis of Cash and cash equivalents</b>		
- Cash at bank	10	<b>4,201,098</b>

The notes on pages 12 to 32 form part of these financial statements.

**1) Material accounting policies**

***General information***

Bauhinia ILBS 3 Limited (the "Company") is a public limited company limited by shares, incorporated and domiciled in Hong Kong under the Companies Ordinance of Hong Kong. The registered office of the Company is situated at 3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

***Statement of compliance***

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

***Functional and presentation currency***

The Company's functional and presentation currency is in United States dollars (\$). All values are rounded to the nearest dollar except when otherwise indicated.

***Basis of preparation***

The measurement basis used in the preparation of the financial statements is historical cost basis except for Subordinated Notes are measured at fair value through profit or loss ("FVPL") as explained in the accounting policies set out in note 1.

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

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

The accounting policies which have been applied consistently throughout the period to the Company's financial statements are set out below. The directors have adjusted the format of the statement of comprehensive income and statement of financial position as allowed under the Hong Kong Companies Ordinance. In the opinion of the directors, net interest income is a more appropriate measurement of the Company's performance than turnover and cost of sales.

***Going concern***

The Company is obliged to redeem the Notes at their principal amount outstanding upon maturity. However, due to the non-recourse nature of the Notes, the Company's ability to pay amounts due on the Notes is, in substance, limited to the application of the receipts from the Portfolio Assets under the terms of the priority of payments as set out in the terms and conditions of the Notes.

It is the intention of the directors for the Company to continue operations until such a time as the amounts due from the Portfolio Assets have been fully realised. Ultimately, due to the limited recourse nature of the Notes, any shortfall in the proceeds of the Portfolio Assets will be a risk to the holders of those Notes.

Therefore, the directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

**1) Material accounting policies (continued)**

***Financial assets***

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost*

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

Financial assets at amortised cost mainly comprises of Portfolio Assets, other receivables, time deposits and cash and cash equivalent which are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired; or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**1) Material accounting policies (continued)**

**Financial assets (continued)**

*Derecognition of financial assets (continued)*

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

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

*Expected credit losses (ECLs)*

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

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

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

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

**1) Material accounting policies (continued)**

**Financial assets (continued)**

*Significant increases in credit risk*

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Impairment losses*

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Once an impairment loss has been recognised on a financial asset, interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

**1) Material accounting policies (continued)**

**Financial assets (continued)**

*Write-off policy*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**Financial liabilities**

*(i) Recognition and initial measurement*

Financial liabilities are initially recognised at fair value net of directly attributable transaction costs and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

*(ii) Classification*

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost. Financial liabilities include debt securities in issue (the "Notes") and Subordinated Notes.

*(iii) Subsequent measurement*

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

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

Subordinated Notes are subsequently measured at fair value through profit or loss.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 Company 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.

**1) Material accounting policies (continued)**

***Financial liabilities (continued)***

*(iii) Subsequent measurement (continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy with reference to the observability and significance of the inputs that are used in the valuation technique as follows:

- Level 1 valuation: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuation: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuation: Fair value measured using Level 3 inputs i.e. significant unobservable inputs

For assets and liabilities that are measured at fair value and recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

*(iv) Derecognition*

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

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

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 1.

***Derivative financial instruments***

The Company uses derivative financial instruments to manage its exposure to foreign currency and interest rate risks.

Derivatives are initially recognised at fair value. Subsequently, they are remeasured at fair value with changes recorded in profit or loss, unless the derivatives qualify for cash flow hedge accounting or hedge a net investment in a foreign operation.

***Interest income and expense***

The Company accounts for interest income and expense on an accrual basis. Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit and loss is determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

**1) Material accounting policies (continued)**

***Interest income and expense (continued)***

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial assets. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

***Taxation***

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

**2) Interest income**

	<b>Period from 9 June 2025 (date of incorporation) to 31 December 2025 \$</b>
Interest income calculated using effective interest rate	
- Portfolio Assets	5,932,607
- Bank	224
- Time deposits	3,053
	<b>5,935,884</b>

**Bauhinia ILBS 3 Limited****Notes forming part of the financial statements for the period from 9 June 2025 (date of incorporation) to 31 December 2025 (continued)****3) Interest expenses**

	<b>Period from 9 June 2025 (date of incorporation) to 31 December 2025 \$</b>
Interest expenses on	
- Notes	4,948,164
- Subordinated Notes	529,016
- Sponsor Loan	40,659
- Warehouse Sponsor Loan	307,143
	<b>5,824,982</b>

**4) Other income**

	<b>Period from 9 June 2025 (date of incorporation) to 31 December 2025 \$</b>
Net losses on derivative financial instruments	(3,279,352)
Fair value adjustments on Subordinated Notes (Note 13)	1,189,410
Net foreign exchange gains	2,958,003
	<b>868,061</b>

**5) Profit from ordinary activities before taxation**

Profit before taxation for the period from 9 June 2025 (date of incorporation) to 31 December 2025 has been arrived at after charging auditor's remuneration of \$60,000 and collateral management fee of \$187,706.

## Bauhinia ILBS 3 Limited

### Notes forming part of the financial statements for the period from 9 June 2025 (date of incorporation) to 31 December 2025 (continued)

#### 6) Directors and employees

The Company has no employees and services required are contracted from third parties.

Pursuant to section 383(1) of the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation the directors received no remuneration from the Company or any third party in respect of qualifying services rendered during the period.

During the period from 9 June 2025 (date of incorporation) to 31 December 2025, the Company paid fees to CSC Secretaries (Hong Kong) Limited (formerly known as "Intertrust Secretaries (Hong Kong) Limited") for making available the services of persons as directors.

During the period from 9 June 2025 (date of incorporation) to 31 December 2025, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

#### 7) Taxation

No provision for Hong Kong profits tax or income tax of other jurisdiction has been made as the Company did not generate any assessable profits arising in Hong Kong or elsewhere during the period from 9 June 2025 (date of incorporation) to 31 December 2025.

	<b>Period from 9 June 2025 (date of incorporation) to 31 December 2025</b>
	<b>\$</b>
<b>Reconciliation between tax charged to profit or loss and accounting profit at applicable tax rates:</b>	
Profit from ordinary activities before taxation	-
Notional tax on profit before tax, calculated at 16.5%	-
Tax effect of non-taxable income	(196,253)
Tax effect of non-deductible expenses	109,519
Tax effect on tax losses not recognised	86,734
<b>Actual tax expense charged to profit or loss</b>	<b>-</b>

Subject to the agreement by the Inland Revenue Department, as at 31 December 2025, the Company has estimated tax losses of \$525,658 arising in Hong Kong. Deferred tax assets have not been recognised in respect of these losses as it is uncertain whether sufficient taxable profits will be available against which the tax losses can be utilised. The tax losses do not expire under current tax legislation.

**Bauhinia ILBS 3 Limited****Notes forming part of the financial statements for the period from 9 June 2025 (date of incorporation) to 31 December 2025 (continued)****8) Portfolio Assets****(a) Financial assets:****31 December 2025**

	<u>\$</u>
<b>At 9 June 2025 (date of incorporation)</b>	-
Purchase of Portfolio Assets	450,493,266
Repayment during the period	(9,944,830)
Impairment allowances during the period	(656,502)
Net foreign exchange differences	2,959,174
<b>Balance as at 31 December 2025</b>	<b>442,851,108</b>
Current portion included under current assets	-
Balance due after one year	<u>442,851,108</u>

As at 31 December 2025, the Portfolio Assets bear interest rate ranging from 3.45% to 7.43% per annum. As at 31 December 2025, there was no loan identified as significant increase in credit risk or default. The Company has calculated 12-months ECL for Portfolio Assets and recognised \$656,502 impairment allowances on Portfolio Assets as at 31 December 2025. See Note 16 for credit risk and liquidity analysis.

**(b) ECL allowance:**

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	\$	\$	\$	\$
At 9 June 2025 (date of incorporation)	-	-	-	-
Charged to profit or loss	(656,502)	-	-	(656,502)
At 31 December 2025	<u>(656,502)</u>	<u>-</u>	<u>-</u>	<u>(656,502)</u>

**9) Other receivables****31 December 2025**

	<u>\$</u>
Interest receivable from Portfolio Assets	3,660,472
Interest receivable from derivative financial instruments	139,721
Amounts due from a shareholder	1
	<b>3,800,194</b>

**10) Cash and cash equivalents and Time deposits****31 December 2025**

	<u>\$</u>
Cash at bank	4,201,098
Time deposits	12,384,042
	<b>16,585,140</b>

**Bauhinia ILBS 3 Limited**

**Notes forming part of the financial statements for the period from 9 June 2025 (date of incorporation) to 31 December 2025 (continued)**

**10) Cash and cash equivalents and Time deposits (continued)**

(a) Reconciliation of liabilities arising from financing activities

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

	Subordinated Note (note 13) \$	Notes issued (note 12) \$	Warehouse Sponsor loan (note 18) \$	Sponsor loan (note 16) \$	Interest payables (note 11) \$	Others (note 11) \$	Total \$
At 9 June 2025 (date of incorporation)	-	-	-	-	-	-	-
<b>Changes from financing cash flows:</b>							
Net proceeds from issuance of Notes and Subordinated Notes	22,594,000	427,900,000	-	-	-	-	450,494,000
Proceeds from Sponsor Loans	-	-	-	4,300,000	-	-	4,300,000
Proceed from Warehouse Sponsor Loan	-	-	49,095,763	-	-	-	49,095,763
Repayment for Warehouse Sponsor Loan	-	-	(49,095,763)	-	-	-	(49,095,763)
Total changes from financing cash flows	22,594,000	427,900,000	-	4,300,000	-	-	454,794,000
<b>Other changes:</b>							
Interest expenses (note 3)	-	-	-	-	5,517,839	307,143	5,824,982
Fair value adjustment (note 13)	(1,189,410)	-	-	-	-	-	(1,189,410)
Total changes from other changes	(1,189,410)	-	-	-	5,517,839	307,143	4,635,572
At 31 December 2025	21,404,590	427,900,000	-	4,300,000	5,517,839	307,143	459,429,572

**11) Other payables and accruals**

	<b>31 December 2025 \$</b>
Interest payable	5,517,839
Accrued expenses	322,461
Others	307,143
	<b>6,147,443</b>

**Bauhinia ILBS 3 Limited****Notes forming part of the financial statements for the period from 9 June 2025 (date of incorporation) to 31 December 2025 (continued)****12) Notes**

	<b>31 December 2025</b>
	<b>\$</b>
Class A1-SU (ISIN: XS3192235094; Stock Code: 5967)	117,000,000
Class A1 (ISIN: XS3192234956; Stock Code: 5968)	229,900,000
Class B (ISIN: XS3192235250; Stock Code: 5985)	32,000,000
Class C (ISIN: XS3192235334; Stock Code: 5987)	33,000,000
Class D (ISIN: XS3192235508; Stock Code: 5990)	16,000,000
	<b>427,900,000</b>

The Notes are interest-bearing at Daily Non-Cumulative Compounded Secured Overnight Financing Rate ("SOFR") plus 1.29% to 5.00% with maturity date of 19 October 2045. The Notes are listed on the Hong Kong Stock Exchange for purchase by Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited).

**13) Subordinated Notes**

	<b>31 December 2025</b>
	<b>\$</b>
At 9 June 2025 (date of incorporation)	-
Issued during the period	22,594,000
Fair value adjustments during the period	(1,189,410)
<b>Balance as at 31 December 2025</b>	<b>21,404,590</b>

The Subordinated Notes are interest bearing at Daily Non-Cumulative Compounded SOFR plus 7.20% with maturity date of 19 October 2045.

Reference to the terms and conditions, the Subordinated Notes are fully subordinated to all of the remaining Notes and Sponsor Loan. Payment on the Subordinated Notes will be made by the Company to the extent of available funds and to the extent legally permitted, and no payments thereon will be made until the payment of certain fees and expenses has been made and until interest on the remaining Notes has been paid.

In the event of credit loss from Portfolio Assets and other loss of the Company, the losses will be borne firstly by the holders of the Subordinated Notes and offset by the outstanding balance in final settlement. To the extent that any credit losses exceed \$22,594,000, such losses will be borne by holders of the Notes according to the subordination as defined in the terms and conditions. Management has not noted any event of credit loss for the period from 9 June 2025 (date of incorporation) to 31 December 2025.

Subordinated Notes are measured at fair value through profit or loss (see Note 1). The balance is categorised as Level 3 under the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The fair value of Subordinated Notes are referenced to the net assets value, derived by the fair value of holding investments less liabilities of the SPV for the period ended 31 December 2025, and the changes of fair value of \$1,189,410 was recognised in profit or loss (Note 4). No other movement on the balance except disclosed above.

**14) Derivative financial instruments**

**a) Notional amounts of derivative financial instruments**

	<b>31 December 2025</b>
	<b>\$</b>
Cross-currency swaps	54,044,300
Interest rate swaps	8,000,000

**b) Fair value of derivatives financial instruments**

	<b>31 December 2025</b>
	<b>\$</b>
Cross currency swaps	3,328,238
Interest rate swaps	156,170
	<b>3,484,408</b>

**15) Share capital**

	<b>31 December 2025</b>
	<b>\$</b>
Issued and unpaid:	
1 ordinary share	1

On 9 June 2025 (date of incorporation), the Company issued 1 ordinary share at HKD 1 (equivalent to \$1) to its shareholder. The balance remained unpaid as at 31 December 2025.

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

The holder of ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. Ordinary share ranks equally with regard to the Company's residual assets.

**16) Financial risk management objectives and policies**

The Company is exposed to various kinds of risks in its operation and financial instruments. The Company's risk management objectives and policies mainly focus on minimising the potential adverse effects of credit risk, interest rate risk and liquidity exposure.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction is clearly defined and documented.

Following initial set-up, the directors monitor the Company's performance, reviewing quarterly reports on the performance of the Receivables. Such review is designed to ensure that the terms of the transaction documentation have been complied with, that no unforeseen risks have arisen and that the Lender has been paid on a timely basis.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

**16) Financial risk management objectives and policies (continued)**

**(a) Credit risk**

Credit risk reflects the risk that the underlying borrowers will not be able to meet their obligations on the Portfolio Assets as they fall due and will cause a financial loss by failing to discharge an obligation.

As at 31 December 2025, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position. The Company has relied on the credit management policy developed and implemented by the Collateral Manager include undertaking ongoing credit review with special attention paid to problem loans. Collateral Manager will monitor these loans and take recovery action such as establishing relief plan with borrowers in order to maximise recoveries. Loan impairment assessment is performed regularly in accordance with the guidelines approved by the Credit Committee of the Collateral Manager.

As at 31 December 2025, in terms of principal outstanding balance, 23.2% of borrowers are located at United Arab Emirates, and the remaining location of risks are below 10% individually. While 21.5% of borrowers are operated in Renewables, 20.0% of the borrowers are operated in Oil & Gas distribution & Regasification, 13.7% of the borrowers are operated in Telecommunication, 13.5% of the borrowers are operated in FPSO and 11.7% of the borrowers are operated in LNG/Gas, and the remaining of the borrowers are below 10% individually. There is no other significant concentration of credit risk in countries or industries in which the borrowers operate.

The table below sets out the gross exposure of Portfolio Assets' principal and interest receivable of the Company to counterparties as at 31 December 2025 together with their respective internal credit ratings provided by Collateral Manager reference to Standard & Poor's Global Credit Assessment Scorecards:

	<b>31 December 2025</b>
	\$
<b>Credit Rating</b>	
AA+ to AA-	86,334,621
A+ to A-	16,043,633
BBB+ to BBB-	136,827,028
BB+ to BB-	207,962,800
	<b>447,168,082</b>

As at 31 December 2025, the Company has not recognised ECL allowances for its financial assets except Portfolio Assets as at 31 December 2025 due to below rationale:

*Cash in bank and Time deposits*

The Company's exposure to credit risk arising from cash in bank and time deposit is limited because the counterparty is a bank with "A" credit rating provided by Standard & Poor's.

*Other receivables*

Other receivables mainly consist of interest receivable from Portfolio Assets which ECL allowances has been recognised by the Company for Portfolio Assets. Therefore, the exposure to credit risk is not considered significant.

**16) Financial risk management objectives and policies (continued)**

**(b) Interest rate risk**

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of the Portfolio Assets and the Notes (its principal assets and liabilities) are similar.

The Company's exposure to the risk of changes in market interest rates relates primarily to the Portfolio Assets with floating interest rates, which were subject to the cash flow interest rate risk. Furthermore, the Company uses interest rate swaps as hedging instruments to manage its exposure in interest rate risk. There are economic relationships between the hedged items and hedging instruments as the terms of the swap contracts match to that of the underlying Portfolio Assets, without the application of hedge accounting.

The following table details the interest rate profile of the Company's interest-bearing financial instruments at the reporting date:

**31 December 2025**

	<i>Effective interest rate %</i>	<i>Amount \$</i>
<b>Floating rate</b>		
Portfolio Assets	3.45% - 7.43%	443,507,610
Cash and cash equivalents	0.001% - 0.012%	4,201,098
Time deposits	3.42% - 3.59%	12,384,042
Notes	5.33% - 9.04%	(427,900,000)
Subordinated Notes	11.24%	(21,404,590)
Sponsor loan	4.54%	(4,300,000)
<b>Net exposure</b>		<b>6,488,160</b>

At 31 December 2025, it is estimated that a general increase/decrease of 1 percent in interest rates, will all other variables held constant, would have increase/decrease the Company's profit from ordinary activities before taxation by \$64,882. The sensitivity analysis indicates the instantaneous change in the Company's profit from ordinary activities before taxation that would arise assuming that the change in interest rate had occurred at the end of the reporting period and had been annualised on interest expenses or income for those financial instruments held by the Company which expose the Company to cash flow interest rate risk at the end of the reporting period.

**16) Financial risk management objectives and policies (continued)**

**(c) Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company manages its foreign currency exposure by matching the currencies of its financial assets and liabilities.

The Company's exposure to fluctuations in exchange rates arises from debt securities in issue and Portfolio Assets. Such transactions are denominated in United States dollars or Hong Kong dollars, Renminbi Yuan, Australian Dollar and Euro Dollar. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Company's exchange risk exposure to a minimum. The Company has endeavoured to closely monitor its foreign currency positions and take necessary measures when the situations so justify. For currencies other than United States dollars or Hong Kong dollars, the Company uses cross-currency swaps as hedging instruments to manage its exposure in foreign currency. There are economic relationships between the hedged items and hedging instruments as the terms of the swap contracts match to that of the underlying Portfolio Assets, without the application of hedge accounting.

**Exposure to currency risk**

The following table details the Company's exposure at the end of the reporting period to significant currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the end of the reporting period.

**31 December 2025**

	<i>Monetary Assets</i>
	\$
Renminbi Yuan	23,500,720
Australian Dollar	8,398,619
Euro	25,465,732
	<b>57,365,071</b>

**Sensitivity analysis**

The following table indicates the instantaneous change in the Company's profit or loss that would arise if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

**31 December 2025**

	<i>Change in foreign exchange rate</i>	<i>Change in profit before tax</i>
		\$
Renminbi Yuan	10%	2,350,072
Australian Dollar	10%	839,862
Euro	10%	2,546,573

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Company's profit or loss measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

**16) Financial risk management objectives and policies (*continued*)**

**(d) Liquidity risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. The Company's ability to meet payments on the Notes as they fall due is dependent on timely receipt of funds on the Portfolio Assets.

In the event that the Company has insufficient funds available to pay interest and/or principal on the Notes then the ultimate Noteholders will incur a loss of interest and/or principal which would otherwise be due.

The Notes are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the Portfolio Assets. If not otherwise repaid, the Notes will follow the profile of the Portfolio Assets and will therefore be repaid at their principal amount outstanding on the interest payment date falling in October 2045.

The contractual remaining maturity profile of the Company's financial liabilities (including those based on the contractual undiscounted payments) as at 31 December 2025 was as follows:

**As at 31 December 2025:**

	<i>Contractual undiscounted cash flow</i>					<i>Carrying amount as at 31 December 2025</i>
	<i>On demand</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>5+ years</i>	<i>Total</i>	
	\$	\$	\$	\$	\$	\$
Other payables and accruals	-	6,147,443	-	-	6,147,443	6,147,443
Notes	-	23,751,183	95,004,732	779,742,865	898,498,780	427,900,000
Subordinated Notes	-	-	-	69,068,465	69,068,465	21,404,590
Sponsor Loan	-	195,165	780,660	7,191,115	8,166,940	4,300,000
	-	30,093,791	95,785,392	856,002,445	981,881,628	459,752,033

**(e) Fair value measurement**

**(i) Financial assets and liabilities measured at amortised cost**

The carrying amount of the Company's financial instruments carried at amortised cost were not materiality different from their face value as at 31 December 2025.

Fair value hierarchy

The following table presents the fair value of the Company's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

**16) Financial risk management objectives and policies (*continued*)**

**(e) Fair value measurement (*continued*)**

(ii) Financial assets and liabilities measured at fair value

**As at 31 December 2025:**

*Fair value measurements as at 31 December 2025 categorised into*

	<i>Fair value as at 31 December 2025</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	\$	\$	\$	\$
Liabilities:				
Derivative financial instruments:	(3,484,408)	-	(3,484,408)	-
Subordinated Notes	(21,404,590)	-	-	(21,404,590)

During the period from 9 June 2025 (date of incorporation) to 31 December 2025, there were no transfers between Level 1 and Level 2, transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(iii) Valuation techniques and inputs used for Level 2 fair value measurements

The fair value of cross-currency and interest rate swaps represent the estimated amount that the Company would either receive or pay to transfer the swap at the reporting date. This valuation reflects current market interest rates and the creditworthiness of the swap counterparties.

(iv) Information about Level 3 fair value measurements

	Fair value as at 31 December 2025	Valuation Techniques	Significant unobservable inputs	Range
Subordinated Notes	\$21,404,590	Fair value of holding investments less liabilities of the SPV	N/A	N/A

The fair value of Subordinated Notes are determined as the fair value of holding investments less liabilities of the SPV at the end of the reporting period.

As the principal income for the Company is interest and principal payment from Portfolio Assets, the measurement of Subordinated Notes are highly related to the performance of the Portfolio Assets. To designate Subordinated Notes under fair value reduce the accounting mismatch arise from the Portfolio Assets. In the event of depreciation of Portfolio Assets, the expected payment to the holders of Subordinated Notes will depreciate in the same proportion due to the subordinated nature. From an operational perspective, the net impact of operational loss arose from interest expenses and operating costs on the overall structure is immaterial.

**16) Financial risk management objectives and policies (continued)**

**(e) Fair value measurement (continued)**

(iv) Information about Level 3 fair value measurements

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	<i>Unlisted financial liabilities at fair value through profit or loss</i>
	\$
<b>At 9 June 2025 (date of incorporation)</b>	-
Issued during the period	(22,594,000)
Changes in fair value recognised in profit or loss during the period	<u>1,189,410</u>
<b>At 31 December 2025</b>	<b><u>(21,404,590)</u></b>

**(f) Capital management**

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to operate and provide returns for holders of Notes and for other stakeholders. The Company defined "capital" as including all components of equity plus Subordinated Notes. As at 31 December 2025, the capital for this purpose is \$21,404,591.

**17) Significant accounting judgements and estimates**

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

**Estimation uncertainty**

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

**Measurement of the expected credit losses on Portfolio Assets**

The measurement of ECL under HKFRS 9 across all categories of financial assets to which ECL measurements requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These judgements and estimates are driven by a number of factors, changes in which can result in different levels of allowances. At the end of each reporting period, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

**18) Material related party transaction**

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the period ended 31 December 2025.

**Transaction with Sponsor and Collateral Manager**

HKMC, being the Sponsor and Collateral Manager of the Portfolio Assets, provided a Sponsor Loan of \$4,300,000 on 17 October 2025 to the Company at interest-bearing with Daily Non-Cumulative Compounded SOFR plus 0.5% and it is paid after the repayment of the Notes, but before the Subordinate Notes. As at 31 December 2025, the balance was \$4,300,000. The interest expense for the Sponsor Loan for the period from 9 June 2025 (date of incorporation) to 31 December 2025 was \$40,659.

Prior to the Closing date, the Company has also entered into a Warehouse Sponsor loan agreement with HKMC on 21 August 2025 to acquire the Pre-funded Infra Debt Obligations of US\$49,095,763. The Warehouse Sponsor Loan was fully repaid during the year.

As the Collateral Manager, HKMC is entitled to collateral management fee of total 0.2% of the Principal Loan balance. The collateral management fee for the period from 9 June 2025 (date of incorporation) to 31 December 2025 was \$187,706. The balance was unsettled as at 31 December 2025.

In addition, HKMC subscribed \$22,594,000 Subordinated Notes on 17 October 2025, the Subordinated Notes are subordinated to other Notes issued and at interest-bearing Daily Non-Cumulative Compounded SOFR plus 7.2%. As at 31 December 2025, the balance was \$21,404,590. The interest expense for the Subordinated Notes for the period from 9 June 2025 (date of incorporation) to 31 December 2025 was \$529,016.

**19) Non-adjusting event after the reporting period**

Subsequent to the end of the reporting period, the occurrence and ongoing conflict in the Middle East may cause negative impacts on the Company's performance. Given the rapid evolving situation, coupled with the contractual mitigations, available liquidity, or diversified nature of the projects located in the Middle East, the directors have assessed that no adjustment is required as of the date of this Annual Report. The directors will continue to assess the impact to the Company's operation and financial performance and closely monitor the Company's exposure to the risks and uncertainties in connection with the conflict.

**20) Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 December 2025**

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the period ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the contracts referencing nature – dependent Electricity	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5, Financial instruments Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10, Financial instruments and HKAS28, Financial instruments: disclosures – Amendments to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Company did not identify any material impact upon the adoption of the above developments.