



中漆集團有限公司
CPM GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1932

IGNITING THE FUTURE

2025
INTERIM REPORT

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Corporate Information

HONORARY CHAIRMAN

Lam Ting Ball, Paul

BOARD OF DIRECTORS

Executive Director and Chairman

Tsui Ho Chuen, Philip (*Managing Director*)

Executive Director

Li Guangzhong (*Sales Director*)

Non-executive Director

Mak Chi Wah

Independent Non-executive Directors

Chua Joo Bin

Xia Jun

Meng Jinxia

AUDIT COMMITTEE

Chua Joo Bin (*Chairman*)

Xia Jun

Meng Jinxia

Mak Chi Wah

REMUNERATION COMMITTEE

Xia Jun (*Chairman*)

Chua Joo Bin

Mak Chi Wah

NOMINATION COMMITTEE

Xia Jun (*Chairman*)

Chua Joo Bin

Meng Jinxia

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITORS

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27th Floor, One Taikoo Place, 979 King's Road

Quarry Bay, Hong Kong

SHARE REGISTRARS

Hong Kong

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road, Hong Kong

Cayman Islands

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive, PO Box 2681

Grand Cayman, KY1-1111, Cayman Islands

PRINCIPAL BANKERS

Hong Kong

The Hongkong and Shanghai Banking

Corporation Limited

DBS Bank (Hong Kong) Limited

Nanyang Commercial Bank, Limited

PRC

HSBC Bank (China) Company Limited

Agricultural Bank of China Limited

Bank of China Limited

Shenzhen Rural Commercial Bank

Corporation Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive, PO Box 2681

Grand Cayman, KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, CNT Tower, 338 Hennessy Road

Wanchai, Hong Kong

WEBSITE

www.cpmgroup.com.hk

Interim Results

The board (the “Board”) of directors (the “Directors”) of CPM Group Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2025 together with comparative amounts for the corresponding period in 2024. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Board’s audit committee.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2025

		Six months ended 30 June	
	Notes	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
REVENUE	3	106,338	148,322
Cost of sales		(64,364)	(90,188)
Gross profit		41,974	58,134
Other income and gains, net	3	2,599	6,596
Selling and distribution expenses		(20,151)	(28,990)
Administrative expenses		(34,132)	(37,684)
Reversal of provision/(provision) for impairment of trade and bills receivables, net	5	928	(956)
Other expenses, net		(14,248)	(4,649)
Finance costs	4	(3,992)	(5,885)
LOSS BEFORE TAX	5	(27,022)	(13,434)
Income tax expense	6	(2,166)	(1,201)
LOSS FOR THE PERIOD		(29,188)	(14,635)
ATTRIBUTABLE TO:			
Owners of the parent		(29,151)	(14,972)
Non-controlling interest		(37)	337
		(29,188)	(14,635)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		HK(2.92) cents	HK(1.50) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<u>(29,188)</u>	<u>(14,635)</u>
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	<u>14,970</u>	<u>(13,166)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>14,970</u>	<u>(13,166)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(14,218)</u>	<u>(27,801)</u>
ATTRIBUTABLE TO:		
Owners of the parent	<u>(14,304)</u>	<u>(28,037)</u>
Non-controlling interest	<u>86</u>	<u>236</u>
	<u>(14,218)</u>	<u>(27,801)</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2025

	Notes	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	87,905	90,786
Investment properties	10	296,124	295,283
Right-of-use assets		28,679	29,556
Equity investment designated at fair value through other comprehensive income		300	300
Deposits for purchases of property, plant and equipment		4,095	3,971
Deposits and prepayments		1,166	796
Deferred tax assets		15,537	17,991
Total non-current assets		433,806	438,683
CURRENT ASSETS			
Inventories		20,342	18,664
Trade and bills receivables	11	76,052	103,628
Prepayments, deposits and other receivables		53,907	51,562
Pledged deposits		17,509	22,207
Cash and cash equivalents		115,353	169,252
Total current assets		283,163	365,313
CURRENT LIABILITIES			
Trade and bills payables	12	96,124	125,437
Other payables and accruals		37,419	44,715
Interest-bearing bank borrowings		77,852	88,075
Lease liabilities		3,352	3,264
Tax payable		9,046	8,768
Total current liabilities		223,793	270,259
NET CURRENT ASSETS		59,370	95,054
TOTAL ASSETS LESS CURRENT LIABILITIES		493,176	533,737

Condensed Consolidated Statement of Financial Position

As at 30 June 2025

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Loans from the Parent Group*	33,927	107,897
Lease liabilities	1,573	2,850
Interest-bearing bank borrowings	48,471	–
Deferred tax liabilities	38,185	37,855
Deferred income	–	52
Deposits received	4,154	4,020
	<hr/>	<hr/>
Total non-current liabilities	126,310	152,674
	<hr/>	<hr/>
Net assets	366,866	381,063
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	100,000	100,000
Reserves	262,805	277,088
	<hr/>	<hr/>
	362,805	377,088
	<hr/>	<hr/>
Non-controlling interest	4,061	3,975
	<hr/>	<hr/>
Total equity	366,866	381,063
	<hr/>	<hr/>

* CNT Group Limited and its subsidiaries, but excluding the Group, are collectively referred to as the "Parent Group".

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2025

	Attributable to owners of the parent														Non-controlling interest (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Capital contribution ¹ (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Fair value reserve (non-recycling) (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Reserve funds ² (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000			
At 1 January 2025	100,000	94,614	(15,017)	2,630	(28,616)	(500)	179,200	10,485	(59,316)	6,982	29,819	56,807	377,088	3,975	381,063	
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(29,151)	(29,151)	(37)	(29,188)	
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	14,847	-	-	-	14,847	123	14,970	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	14,847	-	-	(29,151)	(14,304)	86	(14,218)	
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	21	-	-	21	-	21	
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	-	-	-	(842)	-	842	-	-	-	
At 30 June 2025	100,000	94,614 ^a	(15,017) ^a	2,630 ^a	(28,616) ^a	(500) ^a	179,200 ^a	10,485 ^a	(44,469) ^a	6,161 ^a	29,819 ^a	28,498 ^a	362,805	4,061	366,866	
	Attributable to owners of the parent															
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Capital contribution ¹ (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Fair value reserve (non-recycling) (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Reserve funds ² (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interest (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	
At 1 January 2024	100,000	94,614	(15,017)	2,630	(28,616)	(500)	179,200	10,485	(39,429)	7,292	29,819	103,987	444,465	4,175	448,640	
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	(14,972)	(14,972)	337	(14,635)	
Other comprehensive loss for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(13,065)	-	-	-	(13,065)	(101)	(13,166)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(13,065)	-	-	(14,972)	(28,037)	236	(27,801)	
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	209	-	-	209	-	209	
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	-	-	-	(735)	-	735	-	-	-	
At 30 June 2024	100,000	94,614 ^a	(15,017) ^a	2,630 ^a	(28,616) ^a	(500) ^a	179,200 ^a	10,485 ^a	(52,494) ^a	6,766 ^a	29,819 ^a	89,750 ^a	416,637	4,411	421,048	

^{**} Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profit of certain subsidiaries of the Group in the People's Republic of China (the "PRC") is required to be transferred to the PRC reserve funds which are restricted as to use. These PRC entities are not required to effect any further transfer when the amounts of the PRC reserve funds reach 50% of their registered capital. The PRC reserve funds can be used to make good the future losses of these PRC entities or to increase their registered capital.

[#] These reserve accounts comprise the consolidated reserves of HK\$262,805,000 (30 June 2024: HK\$316,637,000) in the unaudited condensed consolidated statement of financial position.

[^] The capital contribution reserve represents equity-settled share option expenses related to the Group's business granted by the ultimate holding company, CNT Group Limited, on behalf of the Group.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss before working capital changes	(8,675)	(872)
Decrease/(increase) in inventories	(829)	1,961
Decrease in trade and bills receivables	29,689	28,546
Increase in prepayments, deposits and other receivables	(1,085)	(613)
Decrease in trade and bills payables	(32,528)	(50,950)
Decrease in other payables and accruals	(8,035)	(5,891)
Increase in long-term rental deposits received	8	963
Exchange realignment	3,018	1,184
	<hr/>	<hr/>
Cash used in operations	(18,437)	(25,672)
Interest paid	(3,935)	(5,925)
Interest element of lease payments	(143)	(166)
Overseas taxes paid	(8)	–
	<hr/>	<hr/>
Net cash flows used in operating activities	(22,523)	(31,763)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(284)	(42)
Proceeds from disposal of items of property, plant and equipment	33	47
Interest received	721	1,228
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	–	1,139
Decrease in pledged time deposits	5,393	59,482
	<hr/>	<hr/>
Net cash flows generated from investing activities	5,863	61,854
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	69,047	53,315
Repayment of bank loans	(33,242)	(59,733)
Repayment to loans from the Parent Group	(75,000)	(49,601)
Receipts of loans from the Parent Group	–	33,461
Principal portion of lease payments	(1,771)	(1,672)
	<hr/>	<hr/>
Net cash flows used in financing activities	(40,966)	(24,230)
	<hr/>	<hr/>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(57,626)	5,861
Cash and cash equivalents at the beginning of period	169,252	143,792
Effect of foreign exchange rate changes, net	3,727	(2,770)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>115,353</u>	<u>146,883</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	<u>115,353</u>	<u>146,883</u>

Notes to the Condensed Consolidated Financial Statements

1.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2024.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the following amended HKFRS Accounting Standard for the first time for the current period’s financial statements.

Amendments to HKAS 21	<i>Lack of Exchangeability</i>
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The nature and impact of the amended HKFRS Accounting Standard are described below:

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted with and the functional currencies of group entities for translation into the Group’s presentation currency were exchangeable, the amendments did not have any impact on the interim condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

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

- (a) the paint products segment engages in the manufacture and sale of paint and coating products; and
- (b) the property investment segment invests in commercial and industrial properties for their rental income potential.

The chief operating decision-maker regularly reviews the operating results of the Group’s operating segments separately for the purposes of resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted on mutually agreed terms.

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2025

Segment revenue

Sales to external customers
Other income and gains, net

Total

Segment results

Reconciliation:

Interest income
Finance costs
Corporate and other unallocated expenses

Loss before tax

Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
96,893	9,445	106,338
1,848	30	1,878
98,741	9,475	108,216
(21,578)	(186)	(21,764)
		721
		(3,992)
		(1,987)
		(27,022)

Six months ended 30 June 2024

Segment revenue

Sales to external customers
Other income and gains, net

Total

Segment results

Reconciliation:

Interest income
Finance costs
Corporate and other unallocated expenses

Loss before tax

Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
137,044	11,278	148,322
2,173	3,195	5,368
139,217	14,473	153,690
(19,296)	12,871	(6,425)
		1,228
		(5,885)
		(2,352)
		(13,434)

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

As at 30 June 2025

Segment assets

Reconciliation:

Corporate and other unallocated assets

Total assets

Segment liabilities

Reconciliation:

Corporate and other unallocated liabilities

Total liabilities

Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
408,654	305,284	713,938
		3,031
		716,969
308,967	39,691	348,658
		1,445
		350,103

As at 31 December 2024

Segment assets

Reconciliation:

Corporate and other unallocated assets

Total assets

Segment liabilities

Reconciliation:

Corporate and other unallocated liabilities

Total liabilities

Paint products (Audited) HK\$'000	Property investment (Audited) HK\$'000	Total (Audited) HK\$'000
482,223	308,391	790,614
		13,382
		803,996
381,312	39,477	420,789
		2,144
		422,933

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2025

Other segment information

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Depreciation of property, plant and equipment	5,876	–	5,876
Depreciation of right-of-use assets	2,314	–	2,314
Capital expenditure*	284	–	284*
Fair value losses on investment properties	–	8,363	8,363
Reversal of provision for impairment of trade and bills receivables, net	(928)	–	(928)
Reversal of provision for inventories to net realisable value, net	(269)	–	(269)
Gain on a lease modification	(133)	–	(133)
Gain on disposal of items of property, plant and equipment, net	(33)	–	(33)
Write-off of items of property, plant and equipment	2	–	2

Six months ended 30 June 2024

Other segment information

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Depreciation of property, plant and equipment	7,533	–	7,533
Depreciation of right-of-use assets	2,294	–	2,294
Capital expenditure*	42	–	42*
Fair value gains on investment properties, net	–	(3,195)	(3,195)
Provision for impairment of trade and bills receivables, net	956	–	956
Provision for inventories to net realisable value, net	291	–	291
Gain on disposal of items of property, plant and equipment, net	(47)	–	(47)
Write-off of items of property, plant and equipment	2	–	2

* Capital expenditure consists of additions to property, plant and equipment.

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

		Six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Hong Kong		10,314	27,727
Mainland China		96,024	120,595
		<hr/>	<hr/>
		106,338	148,322

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Hong Kong	1,186	855
Mainland China	416,783	419,537
	417,969	420,392

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and financial instruments.

Information about a major customer

During the six months ended 30 June 2025 and 2024, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

Notes to the Condensed Consolidated Financial Statements

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of paint products	96,893	137,044
<i>Revenue from other sources</i>		
Gross rental income from investment properties	9,445	11,278
	<u>106,338</u>	<u>148,322</u>

Disaggregated revenue information

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Type of paint and coating products sold		
Industrial paint and coating products	56,485	64,904
Architectural paint and coating products	17,190	35,217
General paint and coating and ancillary products	23,218	36,923
	<u>96,893</u>	<u>137,044</u>
Timing of revenue recognition		
Goods transferred at a point in time	96,893	137,044

An analysis of other income and gains, net is as follows:

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Other income and gains, net		
Bank interest income	721	1,228
Fair value gains on investment properties, net	–	3,195
Government grants*	40	204
Government subsidies^	342	408
Gain on disposal of items of property, plant and equipment, net	33	47
Gain on a lease modification	133	–
Foreign exchange differences, net	–	68
Recognition of deferred income	137	139
Others	1,193	1,307
	<u>2,599</u>	<u>6,596</u>

* Government grants were received from certain government authorities of the PRC in recognition of the Group's efforts in environmental awareness and protection and technological development. There are no unfulfilled conditions or contingencies relating to these grants.

^ During the six months ended 30 June 2025 and 2024, the PRC tax authority granted to the Group an Advanced Manufacturing Tax Credit Initiative amounting to HK\$342,000 and HK\$408,000 respectively under the Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration. There are no unfulfilled conditions or contingencies relating to these government subsidies.

Notes to the Condensed Consolidated Financial Statements

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Interest on bank and other borrowings	3,849	5,719
Interest expense on lease liabilities	143	166
	<u>3,992</u>	<u>5,885</u>

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Cost of inventories sold	64,364	90,188
Depreciation of property, plant and equipment	5,876	7,533
Depreciation of right-of-use assets	2,314	2,294
Equity-settled share option expenses, net	21	209
Foreign exchange differences, net*	1,213	(68)
Fair value losses/(gains) on investment properties, net*	8,363	(3,195)
Gain on disposal of items of property, plant and equipment, net*	(33)	(47)
Gain on a lease modification*	(133)	–
Provision/(reversal of provision) for impairment of trade and bills receivables, net	(928)	956
Provision/(reversal of provision) for inventories to net realisable value, net®	(269)	291
Staff termination cost*	1,128	600
Write-off of items of property, plant and equipment*	2	2

* These balances are included in "Other income and gains, net" for gains and "Other expenses, net" for losses in the unaudited condensed consolidated statement of profit or loss.

® The balance is included in "Cost of sales" in the unaudited condensed consolidated statement of profit or loss.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2024: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (six months ended 30 June 2024: 25%) during the period, except for the subsidiaries of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2024: 15%) had been applied during the period.

Notes to the Condensed Consolidated Financial Statements

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$29,151,000 (six months ended 30 June 2024: HK\$14,972,000) and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 June 2024: 1,000,000,000) in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding and assumed conversion of all dilutive potential ordinary shares as adjusted to reflect the dilution effect of the share options issued by the Company. For the six months ended 30 June 2025 and 2024, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

8. DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group acquired items of property, plant and equipment at costs of HK\$284,000 (six months ended 30 June 2024: HK\$42,000).

Items of property, plant and equipment with an aggregate net book value of HK\$1 (six months ended 30 June 2024: HK\$2) were disposed of by the Group during the six months ended 30 June 2025.

10. INVESTMENT PROPERTIES

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Carrying amount at the beginning of period/year	295,283	309,087
Fair value losses	(8,363)	(7,978)
Transfer from owner-occupied properties	–	3,959
Exchange realignment	9,204	(9,785)
Carrying amount at the end of period/year	<u>296,124</u>	<u>295,283</u>

The investment properties of the Group are industrial properties located in Shajing, Hubei, Zhongshan, Xuzhou and Shanghai, the PRC and a commercial property in Shenzhen, the PRC. The Directors have determined that the investment properties consist of two classes of assets, i.e., industrial and commercial properties in the PRC, based on the nature, characteristics and risks of the properties. The investment properties of the Group were revalued on 30 June 2025 based on the valuations performed by BMI Appraisals Limited, an independent professional qualified valuer, at HK\$296,124,000 (31 December 2024: HK\$295,283,000). The finance department of the Group which reports directly to the senior management selects the external valuer to be responsible for the external valuation of the properties of the Group based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the investment properties of the Group are generally derived by using the income capitalisation method. The finance department of the Group has discussions with the external valuer on the valuation assumptions and valuation results when the valuations were performed for interim and annual financial reporting.

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES (continued)

The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting capitalisation rates, which are derived from analysis of rental/sales transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have been assessed with reference to recent lettings, within the subject properties and other comparable properties. Capitalisation rates are estimated by valuer based on the risk profile of the properties being valued.

Fair value hierarchy

The following table illustrates how the fair values of the investment properties of the Group are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range as at	
				30 June 2025	31 December 2024
Industrial properties in Mainland China	Level 3	Income capitalisation method	Prevailing markets rents (per sq.m. and per month)	RMB7 to RMB52	RMB7 to RMB52
			Capitalisation rates	5.1% to 6.0%	5.0% to 6.0%
Commercial property in Mainland China	Level 3	Income capitalisation method	Prevailing markets rent (per sq.m. and per month)	RMB77	RMB77
			Capitalisation rates	4.0% to 4.5%	4.0% to 4.5%

During the six months ended 30 June 2025, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (31 December 2024: Nil).

Under the income capitalisation method, a significant increase/(decrease) in the unit rental rate in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the term yield and reversion yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

	Industrial properties in Mainland China (Unaudited) HK\$'000	Commercial property in Mainland China (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Carrying amount as at 1 January 2025	290,826	4,457	295,283
Fair value losses	(8,363)	–	(8,363)
Exchange realignment	9,065	139	9,204
	<u>291,528</u>	<u>4,596</u>	<u>296,124</u>
Carrying amount as at 30 June 2025			

11. TRADE AND BILLS RECEIVABLES

The trade receivables of the Group represent receivables arising from the leasing of investment properties and the sale of paint products. The Group normally requires its customers to make payment of monthly rentals in advance in relation to the leasing of investment properties. Tenants are usually required to pay security deposits which are held by the Group. 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 month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Within three months	37,069	55,670
Over three months and within six months	8,431	7,511
Over six months	30,552	40,447
	<u>76,052</u>	<u>103,628</u>

Notes to the Condensed Consolidated Financial Statements

12. TRADE AND BILLS PAYABLES

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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Within three months	34,946	49,975
Over three months and within six months	20,141	34,389
Over six months	41,037	41,073
	96,124	125,437

The trade and bills payables are unsecured, non-interest-bearing, and normally settled within two months. As at 30 June 2025, bills payable with an aggregate carrying amount of HK\$57,661,000 (31 December 2024: HK\$69,483,000) were secured by time deposits of HK\$17,509,000 (31 December 2024: HK\$21,570,000).

13. SHARE OPTION SCHEME

On 15 June 2022, 80,000,000 share options to subscribe for a total of 80,000,000 new shares of the Company of HK\$0.10 each were granted to three Directors and five employees of the Group under the share option scheme (the "Scheme") adopted by the Company on 4 June 2020 (the "Adoption Date"). The Scheme was adopted by the Company for the purpose of providing incentives to attract and retain employees of the Group, as well as other eligible participants (including, but not limited to, executive Directors, non-executive Directors and independent non-executive Directors, any supplier of goods or services to any member of the Group and any customer of the Group), who made contributions to the Group. Unless terminated by resolution in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further share options will be issued but in all other respects the provisions of the Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 27 April 2020.

The equity-settled share options granted on 15 June 2022 vest over a period of 4 years from the date of grant, of which 50% of the share options vested immediately on the date of grant, 20% of the share options vested on 14 June 2023, 10% of the share options vested on 14 June 2024, 10% of the share options vested on 14 June 2025 and 10% of the share options shall vest on 14 June 2026. These share options are exercisable at HK\$0.335 per share and must be exercised within 5 years from the date of grant, and if not so exercised, the share options shall lapse.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceeds 10% of the total issued shares of the Company as at the Adoption Date. The maximum number of shares issued and which may fall to be issued upon exercise of the share option granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding share options) and such shares which were subsequently cancelled, to each eligible participant in any 12-month period up to the date of offer shall not exceed 1% of the number of shares in issue as at the date of offer. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders at a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates under the Scheme and any other share option schemes of the Company or any of its subsidiaries are subject to approval by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the share options). In addition, any share options granted to a substantial shareholder of the Company or an independent non-executive Director, or to any of their respective associates, representing in aggregate over 0.1% of the shares of the Company in issue on the date of offer and having an aggregate value (based on the closing price of the Company's shares on the date of offer) in excess of HK\$5 million, in the 12-month period up to and including the date of offer, are subject to shareholders' approval in advance in a general meeting.

Notes to the Condensed Consolidated Financial Statements

13. SHARE OPTION SCHEME (continued)

The offer of a grant of share options must be accepted not later than 21 days from the date of offer and the amount payable by the grantees to the Company on acceptance of the offer for the grant of share options is HK\$1.00. The period during which the share options may be exercised will be determined by the Board in its absolute discretion.

The exercise price of share options is determinable by the Board, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer in respect of such share options; (ii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of offer in respect of such share options; and (iii) the nominal value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote in any general meeting of the Company.

The summary below sets forth the details of movement of share options granted as at 30 June 2025 pursuant to the Scheme:

	Date of grant	Exercise period (Notes)	Exercise price per share HK\$	Number of share options				Outstanding as at 30 June 2025
				Outstanding as at 1 January 2025	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
Executive Directors								
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	10,000,000
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	10,000,000
Former Non-Executive Director								
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	(10,000,000)	–
Employees								
	15 June 2022	15 June 2022 to 14 June 2027	0.335	40,000,000	–	–	–	40,000,000
Total				70,000,000	–	–	(10,000,000)	60,000,000

Notes:

The share options granted to each of the grantees have the vesting period and are/would be exercisable as follows:

- 50% of the share options vested on the date of grant of the share options, i.e. 15 June 2022 and are exercisable from 15 June 2022 to 14 June 2027;
- 20% of the share options vested on one day before the first anniversary of the date of grant of the share options, i.e. 14 June 2023 and are exercisable from 15 June 2023 to 14 June 2027;
- 10% of the share options vested on one day before the second anniversary of the date of grant of the share options, i.e. 14 June 2024 and are exercisable from 15 June 2024 to 14 June 2027;
- 10% of the share options vested on one day before the third anniversary of the date of grant of the share options, i.e. 14 June 2025 and are exercisable from 15 June 2025 to 14 June 2027; and
- 10% of the share options shall vest on one day before the fourth anniversary of the date of grant of the share options, i.e. 14 June 2026 and would be exercisable from 15 June 2026 to 14 June 2027.

Notes to the Condensed Consolidated Financial Statements

13. SHARE OPTION SCHEME (continued)

As one of the Directors resigned during the six months ended 30 June 2025, all share options granted to that Director under the Scheme lapsed on the date of cessation of employment. Save as disclosed above, none of the other share options granted under the Scheme were exercised, cancelled or lapsed during the six months ended 30 June 2025.

In addition, as one of the employees resigned during the six months ended 30 June 2024, all share options granted to that employee under the Scheme lapsed on the date of cessation of employment. Save as disclosed above, none of the other share options granted under the Scheme were exercised, cancelled or lapsed during the six months ended 30 June 2024.

No share options were granted during the six months ended 30 June 2025 and 2024. The net share option expenses of approximately HK\$21,000 were recognised during the six months ended 30 June 2025 (six months ended 30 June 2024: HK\$209,000).

At the end of the reporting period, the Company had 60,000,000 (31 December 2024: 70,000,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 60,000,000 (31 December 2024: 70,000,000) additional ordinary shares of the Company and additional share capital of HK\$20,100,000 (31 December 2024: HK\$23,450,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 60,000,000 (31 December 2024: 70,000,000) share options outstanding under the Scheme, which represented 6% (31 December 2024: 7%) of the Company's shares in issue as at that date.

14. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Contracted, but not provided for:		
Construction and purchases of items of property, plant and equipment	1,279	1,222

Notes to the Condensed Consolidated Financial Statements

15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following transactions with related parties during the periods:

		Six months ended 30 June	
		2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
	Notes		
Lease payments paid to the Parent Group	(i)	1,016	1,077
Pledge fees paid to the Parent Group	(ii)	273	273
Interest expenses paid to the Parent Group	(iii)	2,026	3,135
		3,315	4,485

- (i) The Group leased certain office premises from the Parent Group at rates mutually agreed between the parties.
- (ii) Pledge fees were charged by the Parent Group for pledging certain properties in Hong Kong as securities for certain banking facilities granted to the Group at mutually agreed fees.
- (iii) Loans have been granted by the Parent Group on normal commercial terms, which were not secured by the assets of the Group. The loan agreements were executed on mutually agreed terms.
- (b) The transactions in respect of item (a)(i), (a)(ii) and (a)(iii) above are also continuing connected transactions as defined under Chapter 14A of the Listing Rules, which are exempted from reporting, annual review and independent shareholders' approval under Chapter 14A of the Listing Rules.
- (c) Compensation of key management personnel of the Group

		Six months ended 30 June	
		2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Short term employee benefits		3,930	4,262
Post-employment benefits		241	247
Equity-settled share option expenses		59	110
Total compensation paid/payable to key management personnel		4,230	4,619

Notes to the Condensed Consolidated Financial Statements

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and loans from the Parent Group approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department which reports directly to the senior management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. 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 audit committee of the Board reviews the results of the fair value measurement of financial instruments periodically 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 these fair values:

The fair value of the non-current portion of financial assets included in deposits and prepayments has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the equity investment designated at fair value through other comprehensive income is based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
<i>Assets measured at fair value:</i>				
At 30 June 2025				
Equity investment designated at fair value through other comprehensive income	–	300	–	300
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	Total (Audited) HK\$'000
At 31 December 2024				
Equity investment designated at fair value through other comprehensive income	–	300	–	300

Notes to the Condensed Consolidated Financial Statements

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2025 and 31 December 2024.

During the period, 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 (31 December 2024: Nil).

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation for the current period.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 August 2025.

Management Discussion and Analysis

The Group is principally engaged in the paint and coating business. It also holds investment properties in Mainland China. The paint and coating business represents the largest business segment of the Group. The products in this business are broadly categorised into (i) industrial paint and coating products; (ii) architectural paint and coating products; and (iii) general paint and coating and ancillary products. Industrial paint and coating products are used in furniture painting, manufacturing and surface finishing for different kinds of materials used by furniture manufacturers, renovation contractors for property and infrastructure projects and household users. Architectural paint and coating products are used for wall painting, floor coating and decorating the wall surface of buildings. The architectural paint and coating products of the Group are sold to customers in the construction and maintenance markets for commercial and residential properties. General paint and coating and ancillary products, such as thinner, enamels, anti-mold agents and solvent agents, are used for both architectural and industrial purposes.

BUSINESS REVIEW

For the six months ended 30 June 2025, the Group recorded a loss attributable to shareholders of the Company of approximately HK\$29.15 million, with an increase in loss of HK\$14.18 million as compared with the loss of HK\$14.97 million for the same period in 2024. The significant increase in loss was primarily due to the changes in the fair value adjustments on investment properties and the significant decrease in sales of paint and coating products. Specifically, the Group recorded fair value losses on investment properties amounting to HK\$8.36 million for the six months ended 30 June 2025, in contrast to the net fair value gains of HK\$3.20 million recorded for the same period in 2024. Moreover, the Group faced a 29.3% decline in sales of paint and coating products, leading to a 30.6% decrease in gross profit. Nevertheless, these challenges within the paint and coating business were offset by operational cost savings and efficiencies which cushioned the negative impact of the declining sales to a slightly extend, thereby mitigating the increase in overall loss during the six months ended 30 June 2025.

For the six months ended 30 June 2025, the Group strategically optimised operations, reflecting a proactive approach to resource management and financial stability. Despite the increased losses, strategic efforts led to a notable 29.1% reduction in net operational cash outflow as compared to the same period in 2024, highlighting efficient cost containment. To address financial liabilities and enhance cost-efficiency, the Group actively reviewed and restructured the loan portfolio including bank and other borrowings. By securing lower-cost financing and maintaining an optimal cash position, the Group effectively navigated challenges within the paint and coating industry in Mainland China and Hong Kong. With significant strides made in the ongoing implementation of effective business revamp measures and initiatives (the “Business Revamp Measures and Initiatives”), the financial burdens were effectively curtailed. As at 30 June 2025, the bank and other borrowings decreased to HK\$160.25 million from HK\$195.97 million as at 31 December 2024 while cash and cash equivalents and pledged deposits decreased to HK\$132.86 million from HK\$191.46 million as at 31 December 2024. This reflected a strategic reallocation of resources aimed at reducing financial burdens and ensuring long-term financial health.

The Group is actively working to improve operations and align its financial framework with strategic objectives to address ongoing challenges. These measures are part of a dedicated effort to enhance financial resilience and build a foundation for reversing prolonged losses and achieving sustainable growth over time.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Paint and Coating Business

During the first half of 2025, the gross domestic product (the “GDP”) of Mainland China showed significant growth across several major sectors, with the exception of the real estate and construction sectors. According to the National Bureau of Statistics of China (the “NBSC”), growth rates of the GDP of Mainland China ranged from 0.7% to 11.1% during the first half of 2025, as compared to the first half of 2024. This expansion across several sectors drove the overall GDP growth rate of Mainland China to 5.3%, as compared to 5.0% in the first half of 2024. However, the decline in property prices persisted, compounding the challenges within an already volatile real estate market. This downturn led to a substantial reduction in investment for new property projects and a marked deceleration in construction activities across Mainland China. As anticipated, the fragility of the real estate market exerted considerable pressure on the demand for paint and coating products. Architectural paints and coatings, which historically represented over 50% of industry sales in Mainland China, experienced particularly weak demand in the first half of 2025. In response, manufacturers who traditionally specialised in architectural paint and coating products increasingly pivoted towards industrial paint and coating production. This strategic shift triggered heightened competition within the paint and coating industry in Mainland China. These changes were primarily driven by the slowdown in construction activities and the ongoing uncertainties plaguing the real estate market. In addition, according to the data released by the Hong Kong Census and Statistics Department, the GDP of Hong Kong is anticipated to increase by 3.1% in the first half of 2025, marking an improvement over the rate recorded in the first half of 2024. This upward trend signals economic recovery, albeit with underlying challenges, particularly in the real estate sector, which continued to experience difficulties. However, the building and construction sector made a negative contribution to the GDP of Hong Kong during the first half of 2025, in contrast to making a positive contribution in the first half of 2024. Market insights from key stakeholders in the paint and coating industry indicated a shift among several main contractors and small construction firms towards sourcing paint and coating products and other related materials directly from Mainland China. This trend was intensified by the subdued demand for paint and coating products in Hong Kong and further compounded by increased competition from new market entrants, leading to an oversupply situation. Consequently, the revenue generated from the sales of paint and coating products of the Group for the six months ended 30 June 2025 decreased by 29.3%, as compared to the same period in 2024.

Overall, sales to customers by the Group for the six months ended 30 June 2025 declined significantly by 29.3%, as compared to the same period in 2024. This was attributable to (i) a 31.2% decrease in the sales to wholesale distributors and retail distributors; (ii) a 48.9% decrease in the sales to customers of construction and renovation contractors for property and infrastructure projects; and (iii) a 13.0% decrease in the sales to customers of industrial manufacturers.

Management Discussion and Analysis

REVIEW OF OPERATIONS

Revenue

During the six months ended 30 June 2025, the total revenue of the Group amounted to HK\$106.34 million, which included revenue from the sales of HK\$96.89 million and rental income from investment properties of HK\$9.45 million. This amount represented a significant decrease of 28.3% as compared to the total revenue of the Group of HK\$148.32 million for the six months ended 30 June 2024, of which the revenue from the sales amounted to HK\$137.04 million and the rental income from investment properties amounted to HK\$11.28 million.

PAINT AND COATING PRODUCTS

Segmental results

For the six months ended 30 June 2025, the segment recorded a loss of HK\$21.58 million, as compared to a loss of HK\$19.30 million for the six months ended 30 June 2024. Such increase was primarily attributed to the following factors:

Revenue

During the six months ended 30 June 2025, the Group's revenue significantly decreased to HK\$96.89 million, as compared to HK\$137.04 million for the six months ended 30 June 2024. The table below sets forth an analysis of the revenue of the Group for principal products during the six months ended 30 June 2025 and 2024:

	Six months ended 30 June				
	2025		2024		% of net change
	HK\$'000	%	HK\$'000	%	
Industrial paint and coating products	56,485	58.3	64,904	47.4	-13.0
Architectural paint and coating products	17,190	17.7	35,217	25.7	-51.2
General paint and coating and ancillary products ⁽¹⁾	23,218	24.0	36,923	26.9	-37.1
	96,893	100.0	137,044	100.0	-29.3

⁽¹⁾ General paint and coating and ancillary products include thinner, enamel, solvent agent, anti-mold agent, colouring agent and other ancillary products for paint and coating purposes.

Management Discussion and Analysis

PAINT AND COATING PRODUCTS (continued)

Revenue (continued)

Significant decrease in the sales to the wholesale and retail distributors in Hong Kong

For the six months ended 30 June 2025, the sales to the wholesale and retail distributors in Hong Kong significantly decreased by 67.7%, as compared to the six months ended 30 June 2024. This decline was primarily attributable to the negative impact exerted by the building and construction sector on Hong Kong's GDP during the six months ended 30 June 2025, in contrast to the sector's positive contribution in early 2024. Market insights from key stakeholders within the paint and coating industry revealed a strategic realignment, with noticeable change among main contractors and smaller construction firms in Hong Kong. These companies increasingly procured paint, coatings, and related materials directly from suppliers in Mainland China. This shift was largely driven by companies aiming to leverage cost efficiencies and optimise supply chains amidst weakening demand. Additionally, the reluctance of wholesalers to place large orders was further exacerbated. The softening demand in Hong Kong's market, combined with intensifying competition from new entrants, led to an oversupply condition.

Significant decrease in the sales to the wholesale and retail distributors in Mainland China

For the six months ended 30 June 2025, the sales to wholesale and retail distributors in Mainland China significantly decreased by 13.8%, as compared to the same period in 2024. This decrease was primarily driven by (i) the sluggish real estate market in Mainland China; and (ii) saturation and competitive pressures in the paint and coating industry. The industry was struggling with an oversupply issue, worsened by recent expansions in production capacities. This intensified market competition led to aggressive price wars that compelled manufacturers to reduce prices, thus squeezing profit margins.

Significant decrease in the sales to the property developers and their contractors working for private residential property projects in Mainland China

For the six months ended 30 June 2025, the sales to property developers and their associates for private residential projects in Mainland China significantly decreased by 97.5%, as compared to the same period in 2024. This decrease was attributed to several factors: (i) the sluggish real estate market in Mainland China; (ii) stagnation in new property project initiatives; and (iii) pending outcomes of tender submissions.

Significant decrease in the sales to the industrial manufacturers in Mainland China

For the six months ended 30 June 2025, the sales to industrial manufacturers in Mainland China significantly decreased by 13.0%, as compared to the same period in 2024. This significant decline was primarily due to intensified competition and a new supply of industrial paint and coating products within the paint and coating industry. The demand for architectural paints and coatings, traditionally accounting for more than 50% of industry sales in Mainland China, continued to weaken considerably during the six months ended 30 June 2025. Consequently, paint and coating manufacturers who previously specialised in architectural paints increasingly shifted their focus toward industrial paint and coating production. This strategic pivot exacerbated competitive pressures within the domestic market in Mainland China.

Management Discussion and Analysis

PAINT AND COATING PRODUCTS (continued)

Revenue (continued)

Geographical distribution of revenue

The revenue of the Group generated from the sales in Mainland China and Hong Kong accounted for 89.4% and 10.6%, respectively, for the six months ended 30 June 2025, as compared to 79.8% and 20.2%, respectively, for the six months ended 30 June 2024. Most of the revenue of the Group was generated from Southern China, Central China and Eastern China. Revenue generated from these regions, in aggregate, accounted for 82.0% of the sales of the Group for the six months ended 30 June 2025, as compared to 74.0% for the six months ended 30 June 2024.

Cost of sales

Cost of raw materials

Raw materials used by the Group include resins, solvents and other materials, of which resins and solvents accounted for a substantial portion of the total cost of raw materials. Generally speaking, prices of such raw materials are directly or indirectly affected by crude oil prices. During the six months ended 30 June 2025, crude oil prices decreased by 19.2%, ranging between US\$59 and US\$68 per barrel, as compared to a range of US\$74 and US\$85 per barrel for the six months ended 30 June 2024. This decrease in crude oil prices had a proportionate positive impact on raw materials cost for the Group. As a result, the Group experienced a decrease in raw material costs and offered competitive pricing amidst intense market competition in the paint and coating industry in Mainland China and Hong Kong. The Group leveraged this cost advantage to provide more discounts to attract and retain customers. Consequently, the percentage of raw material costs to the sales decreased by 2.9%, as compared to the six months ended 30 June 2024.

The flexible pricing strategy of the Group not only bolstered its competitive edge but also reflected its quick responsiveness to market dynamics. By aligning with broader economic trends for cost efficiency, the Group took advantage of the fluctuating oil prices to enhance operational efficiency and deliver greater customer value. This underscored the importance of agile responses to economic changes in maintaining a strong market position.

Direct and indirect labour costs

For the six months ended 30 June 2025, direct and indirect labour costs significantly decreased by 15.7%, as compared to the same period in 2024. This reduction was primarily driven by the Group's ability to swiftly respond to a 29.3% decrease in sales, resulting in increased operational efficiency. The successful implementation of cost-saving strategies by the Group, including the integration of production facilities in Southern China and Central China in 2024, further eased the burden on direct labour costs and helped mitigate indirect labour expenses. These measures provided the Group with the necessary flexibility to maintain efficiency amidst challenging market conditions.

Management Discussion and Analysis

PAINT AND COATING PRODUCTS (continued)

Cost of sales (continued)

Depreciation and production overhead

For the six months ended 30 June 2025, depreciation and production overhead costs experienced a reduction of 18.7%, as compared to the six months ended 30 June 2024. Specifically, a decline of 26.5% in depreciation for the six months ended 30 June 2025 was mainly due to the aforementioned cost-saving strategies. Furthermore, the production overhead costs also showed a decrease of 8.2%, in contrast to the same period in 2024.

Gross Profit and Gross Profit Margin of the Group

For the six months ended 30 June 2025, the Group recorded a 30.6% decrease in gross profit resulting from the 29.3% decrease in sales, as compared to the same period in 2024. This decline was exacerbated by vigorous market competition within the paint and coatings industry and diminished demand for architectural paint and coating products from the real estate and construction sectors in Mainland China and Hong Kong. In response, the Group implemented strategic pricing adjustments to remain competitive, including targeted customer discounts to sustain market share. Despite these challenges, the gross profit margin showed a commendable degree of resilience, with a reduction of merely 0.6 percentage point, as compared to the same period in 2024.

Other Income and Gains, net

For the six months ended 30 June 2025, other income and gains, net amounted to HK\$1.85 million, representing a substantial decline of 14.7% as compared to HK\$2.17 million for the same period in 2024. This decrease was primarily attributable to: (i) a reduction in government grants amounting to HK\$0.16 million; and (ii) a decrease in gains from the disposal of property, plant and equipment, alongside others, amounting to HK\$0.16 million.

Selling and Distribution Expenses and Administrative Expenses

Selling and distribution expenses significantly decreased by 30.5% to HK\$20.15 million for the six months ended 30 June 2025, as compared to HK\$28.99 million for the six months ended 30 June 2024. Such decrease was attributed to (i) a reduction of HK\$5.55 million legal and professional fees in relation to the legal actions for collection of the aged trade and bills receivables of the Group; and (ii) cost savings of HK\$3.29 million associated with the selling and distribution expenses of the Group for the six months ended 30 June 2025.

Administration expenses decreased by 8.5% to HK\$31.88 million for the six months ended 30 June 2025, as compared to the same period in 2024. Such decrease was attributed to a reduction of HK\$1.86 million in staff costs and a reduction of HK\$1.09 million in other operating expenses, and additional cost-saving initiatives, as compared to the six months ended 30 June 2024.

Other Operating Expenses

For the six months ended 30 June 2025, the amount of other operating expenses decreased by 13.0%, as compared to the same period in 2024. This reduction was primarily attributable to a few significant changes, resulting in this positive impact on reduced expenses. The Group reversed provision for impairment of trade and bill receivables, net crediting HK\$0.93 million, as compared to the provision of HK\$0.96 million for the same period in 2024, resulting in a HK\$1.89 million improvement in impairment adjustments. While the Group spent HK\$0.42 million less on local taxes, levies, and stamp duties, this was primarily due to the 29.3% decrease in the sales. However, the staff termination costs increased by HK\$0.53 million, as compared to the same period in 2024.

Management Discussion and Analysis

PROPERTY INVESTMENT

Within the framework of the strategy, the Group's investment properties were strategically reallocated, effectively transferring underutilised production plants and office premises. With this decision, the Group not only overcame challenges but also optimised its asset allocation and improved its operating cash flow. It was important to note that the impact of macroeconomic fluctuations, principally a 3.1% appreciation in Renminbi, which positively influenced the asset valuations and offset the fair value losses for the six months ended 30 June 2025. Consequently, there was a slight increase in the valuation of the Group's investment properties, from HK\$295.28 million as at 31 December 2024 to HK\$296.12 million as at 30 June 2025. Due to increase in value, the proportion of investment properties relative to the Group's total assets increased to 41.3% from 36.7%, as compared to 31 December 2024.

For the six months ended 30 June 2025, the Group recorded a rental income of HK\$9.45 million from investment properties, as compared to HK\$11.28 million for the six months ended 30 June 2024. The Group recorded a segment loss of HK\$0.19 million for the six months ended 30 June 2025, in contrast with a segment profit of HK\$12.87 million for the six months ended 30 June 2024. This downturn was primarily attributed to the sluggish real estate market in Mainland China, which led to two significant factors: (i) fair value adjustment on investment properties of HK\$11.56 million, resulting the fair value losses HK\$8.36 million, as compared to a net fair value gain HK\$3.20 million for the same period in 2024; and (ii) a 16.3% decline in rental income from investment properties, stemming from changes in the effective rental calculations due to alterations in the appreciation clauses of monthly charges in long-term tenancy agreements.

As at 30 June 2025, the investment property portfolio of the Group comprised of 6 properties (31 December 2024: 6) with a total land area of 175,675.8 square meters ("sq.m.") (31 December 2024: 175,675.8 sq.m.) and a total gross floor area of 76,295.3 sq.m. (31 December 2024: 76,295.3 sq.m.). These investment properties are industrial properties and a commercial property located in Mainland China, which generate stable recurring income and cash flows for long-term strategic and investment purposes.

The business model of the Group aims to strike a balance between short-term capital needs and long-term financial stability. As such, the Group strategically relocated production plants, which allowed the Group to reclassify those properties as part of the investment properties in order to generate consistent rental income and capital appreciation. Furthermore, the Group may divest certain properties to fund its business operations and expansion strategies. This will enable the Group to finance its operations through rental income and generate additional capital through property sales, thereby bolstering its overall financial standing. Additionally, the Group can potentially benefit from long-term capital appreciation on its investment properties by leveraging prime locations to maximise returns.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Indebtedness

The business operation of the Group is generally financed by a combination of internal and external financial resources available to the Group. The total cash and cash equivalents amounted to approximately HK\$115.35 million as at 30 June 2025, as compared to approximately HK\$169.25 million as at 31 December 2024. This decrease was primarily due to the net repayment of bank and other borrowings of HK\$39.20 million. To optimise financial liabilities and improve cost-efficiency, the Group undertook a comprehensive review and restructuring of its loan portfolio. By securing financing at lower interest rates and maintaining an optimal cash reserve, the Group effectively mitigated financial challenges in the paint and coating industry of Mainland China and Hong Kong. The total cash and bank balances include pledged deposits, which amounted to approximately HK\$132.86 million as at 30 June 2025, as compared to approximately HK\$191.46 million as at 31 December 2024. Bank and other borrowings amounted to approximately HK\$160.25 million as at 30 June 2025, as compared to approximately HK\$195.97 million as at 31 December 2024. The Group's bank and other borrowings mainly bear interest at floating rates. As at 30 June 2025, the Group's total bank and other borrowings amounted to approximately HK\$77.85 million (48.6%) (31 December 2024: approximately HK\$88.07 million (44.9%)) and were payable within one year or on demand. An amount of the remaining balance of approximately HK\$82.40 million (51.4%) (31 December 2024: approximately HK\$107.90 million (55.1%)) is payable in the second and third years.

The cash and bank balances of the Group were mainly denominated in Hong Kong dollars and Renminbi, whereas the bank borrowings of the Group were all denominated in Hong Kong dollars and Renminbi. The results of the Group can be affected by the appreciation or depreciation between Hong Kong dollars and Renminbi. The Group currently does not adopt any hedging measures, but it will keep monitoring its foreign exchange exposure and consider hedging its foreign currency exposure should the need arise.

Gearing ratio of the Group, which is expressed as a percentage of total bank and other borrowings to shareholders' funds, was 44.2% as at 30 June 2025, as compared to 52.0% as at 31 December 2024.

Liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.27 times as at 30 June 2025, as compared to 1.35 times as at 31 December 2024.

For the six months ended 30 June 2025, the inventory turnover days¹ increased by 58.3% to 57 days, as compared to 36 days for the year ended 31 December 2024. This increase was primarily driven by a 28.6% reduction in the cost of sales, which was a direct result of the 29.3% decline in the sales. In addition, the trade and bills receivables turnover days² increased by 11.8% to 142 days for the six months ended 30 June 2025, as compared to 127 days for the year ended 31 December 2024. The extended trade and bills receivables turnover days for the six months ended 30 June 2025 were primarily attributable to the 29.3% decline in the sales and the impact of some aged trade and bills receivables currently involved in ongoing legal proceedings.

¹ The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales times 181 days (31 December 2024: 366 days).

² The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the sales times 181 days (31 December 2024: 366 days).

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Equity and Net Asset Value

Shareholders' funds of the Group as at 30 June 2025 were HK\$362.81 million, as compared to HK\$377.09 million as at 31 December 2024. Net asset value per share as at 30 June 2025 was HK\$0.37, as compared to HK\$0.38 as at 31 December 2024. Fluctuations in the foreign currency exchange rates between Hong Kong dollars (the reporting currency) and Renminbi could have a significant impact and may lead to volatility in the operating results of the Group. Due to the appreciation of the Renminbi during the six months ended 30 June 2025, the exchange differences on translation of foreign operations recorded in other comprehensive income showed a gain of HK\$14.97 million, as compared to a loss of HK\$13.17 million for the six months ended 30 June 2024.

Contingent Liabilities

As at 30 June 2025, the amount of utilised banking facilities granted to various subsidiaries subject to guarantees given by the Company was HK\$58.00 million, as compared to HK\$21.00 million as at 31 December 2024.

In addition, the Group entered into financial guarantee contracts on performance bonds issued by a bank for the quality of the paint and coating products under supply contracts. The performance bonds were secured by pledged deposits, which were nil as at 30 June 2025, as compared to HK\$0.64 million as at 31 December 2024.

Pledge of Assets

As at 30 June 2025, certain investment properties, property, plant and equipment, right-of-use assets and cash deposits with an aggregate net book value of HK\$306.24 million, as compared to HK\$312.08 million as at 31 December 2024, were pledged to financial institutions as collateral for bills payables, bank borrowings, performance bonds and lease liabilities. The change in pledged assets was attributed to the transitional nature of the Strategic Financial Restructuring and Optimisation, and the appreciation of the Renminbi, as compared to the year ended 31 December 2024 and the six months ended 30 June 2025.

STAFF

As at 30 June 2025, the Group employed a total of 426 employees, and a 11.1% decrease from the 479 employees as at 30 June 2024. The staff costs for the six months ended 30 June 2025 amounted to approximately HK\$34.96 million, which included equity-settled share-based payments of HK\$0.12 million and excludes Directors' emoluments. This represents a 12.8% decrease from the staff costs of HK\$40.11 million for the six months ended 30 June 2024, which also included net equity-settled share-based payments of HK\$0.05 million.

The Group offers comprehensive and competitive staff remuneration and benefits that are based on individual performance. Trainings are provided to employees of the Group depending on their departments and the scope of their responsibilities. The human resources department would also arrange for employees to attend training, especially regarding workplace health and safety.

Management Discussion and Analysis

BUSINESS PLANS AND OUTLOOK

Looking ahead to the second half of 2025, the Group will proactively address market fluctuations driven by external environmental changes, insufficient domestic demand, and the challenging economic landscape through the Business Revamp Measures and Initiatives. The favourable factor is the creation of synergies between policy directives and market dynamics, which are anticipated to foster a return to sustainable economic growth within the industry. One of the key developments is the strengthening of policies aimed at reducing hyper-competitive pressures in the market. In Mainland China, the recent amendments to the Anti-Unfair Competition Law are set to introduce measures that reinforce the fair competition review system while incrementally incorporating new safeguards against detrimental competitive practices into the legal framework. These initiatives will underpin market stability at a foundational level. On the broader economic front, there is an expectation of accelerated optimisation in supply chains and market clearance processes. Aligning with macroeconomic policy directives, the paint and coating industry will begin to address and correct imbalances in production capacity during the latter half of the year.

In response to the significant decrease in sales revenues in the first half of 2025, the Group remains proactive in expanding its reach and broadening its business opportunities by actively engaging with both existing and potential wholesalers across Mainland China, Hong Kong and other regions. This marketing approach is crucial to extending the Group's distribution network, enhancing its presence and market share. Moreover, the Group commits to providing high-quality paint and coating products to the customers, offering superior after-sales services and avoiding homogenised products and involution competitions.

Intense competition and fair value loss adjustment on investment properties adversely affected the overall performance of the Group in the first half of 2025. In response, the Group continued to implement the Business Revamp Measures and Initiatives to enhance profitability. A comprehensive assessment of working capital requirements was conducted, which facilitated a more efficient allocation of resources. Central to the strategy was the prioritisation of repaying high-interest borrowings, designed to reduce finance costs and enhance liquidity. The results of these efforts are evident in the significant 18.2% reduction in the bank and other borrowings, indicating an improvement in financial health. Cost-saving initiatives and working capital optimisation played an integral role in strengthening the Group's financial position. Moving forward, the Group is committed to strategic measures aimed at effectively mitigating net cash outflows and maintaining stable liquidity levels. Recognising the critical importance of these endeavours for sustained financial stability, the Group continues to employ prudent resource management practices to optimise financial operations.

Against this backdrop, the Group perseveres in optimising the Business Revamp Measures and Initiatives. The objectives are threefold: (a) to enrich the product portfolio and ensure competitiveness; (b) to expand and strengthen the distribution network across Mainland China, Hong Kong and other regions; and (c) to enhance operational efficiency and reduce costs. The Group remains cautious about its business as it adopts a prudent approach to risk management.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the period under review. The Board has not yet authorised any plan for other material investments or additions of capital assets.

Other Information

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2025, the interests of the Directors in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Capacity	Number of shares				Number of underlying shares (Note)	Total	Percentage of the total number of shares in issue
		Personal interests	Family interests	Corporate interests	Other interests			
Tsui Ho Chuen, Philip	Beneficial owner	–	–	–	–	10,000,000	10,000,000	1.00%
Li Guangzhong	Beneficial owner	–	–	–	–	10,000,000	10,000,000	1.00%

Note: This represented the aggregate number of share options granted to the Directors by the Company (being regarded as unlisted physically settled equity derivatives) under the Scheme. Further details of the share options are set out in the section headed "Share Options" below.

Save as disclosed above, as at 30 June 2025, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules (the "Model Code"), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the Directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the period under review.

Other Information

SHARE OPTIONS

Details of the movements in the share options granted by the Company under the Scheme during the review period are as follows:

Name	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options					Outstanding as at 30 June 2025
				Outstanding as at 1 January 2025	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Executive Director									
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	-	10,000,000
Executive Director									
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	-	10,000,000
Former Non-executive Director									
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	(10,000,000)	-
Employees	15 June 2022	15 June 2022 to 14 June 2027	0.335	40,000,000	-	-	-	-	40,000,000
				<u>70,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000,000)</u>	<u>60,000,000</u>

Notes:

- (1) The share options granted have the vesting period and are/would be exercisable as follows:
 - (a) 50% of the share options vested on and are exercisable from the date of grant of the share options, i.e. 15 June 2022;
 - (b) 20% of the share options vested on one day before the first anniversary of the date of grant of the share options, i.e. 14 June 2023 and are exercisable from 15 June 2023;
 - (c) 10% of the share options vested on one day before the second anniversary of the date of grant of the share options, i.e. 14 June 2024 and are exercisable from 15 June 2024;
 - (d) 10% of the share options vested on one day before the third anniversary of the date of grant of the share options, i.e. 14 June 2025 and are exercisable from 15 June 2025; and
 - (e) the remaining 10% of the share options shall vest on one day before the fourth anniversary of the date of grant of the share options, i.e. 14 June 2026 and would be exercisable from 15 June 2026.
- (2) The closing price of the shares of the Company on 14 June 2022, being the date immediately before the date on which the above share options were granted under the Scheme, was HK\$0.335.
- (3) The number of share options available for grant under the Scheme as at 1 January 2025 and 30 June 2025 were 30,000,000 and 40,000,000 respectively.

Other Information

SHARE OPTIONS (continued)

Notes: (continued)

- (4) There was no service provider sublimit set under the Scheme.
- (5) There is no performance target attached with the share options.
- (6) During the six months ended 30 June 2025, no share options were granted under the Scheme. The number of shares of the Company that may be issued in respect of share options granted under the Scheme during the six months ended 30 June 2025 divided by the weight average number of shares of the Company in issue for the six months ended 30 June 2025 was 6%.
- (7) None of the share options granted under the Scheme was cancelled and 10,000,000 share options granted under the Scheme were lapsed during the six months ended 30 June 2025.
- (8) Other details of the share options granted under the Scheme are set out in note 13 to the financial statements.

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed during the review period.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2025, the register maintained by the Company under Section 336 of the SFO showed that the following persons had interests in the shares and underlying shares of the Company:

Name	Note	Capacity	Number of shares	Percentage of issued share capital
CNT Enterprises Limited	1	Beneficial owner	750,000,000	75.00%
CNT Group Limited	1	Interest of controlled corporation	750,000,000	75.00%

Note:

- (1) The reference to the 750,000,000 shares relate to the same block of 750,000,000 shares beneficially interested by CNT Enterprises Limited.

CNT Enterprises Limited was a wholly-owned subsidiary of CNT Group Limited. CNT Group Limited was deemed under the SFO to be interested in these 750,000,000 shares which were owned by CNT Enterprises Limited.

Save as disclosed above, the Company has not been notified by any person who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2025 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. Throughout the six months ended 30 June 2025, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix C1 to the Listing Rules (the “CG Code”) except for the following deviation:

The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since 1 April 2023, Mr. Tsui Ho Chuen, Philip has been taking the dual roles of the chairman of the Board and the managing director of the Company. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Tsui Ho Chuen, Philip, the Board is of the opinion that it is appropriate at the present stage for Mr. Tsui Ho Chuen, Philip to hold both positions as the chairman of the Board and the managing director of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company, and this structure can ensure the Company has consistent leadership. In addition, under the supervision by the Board which currently consists of two executive Directors, one non-executive Director and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented. Also, as all major decisions are made in consultation with and approved by the members of the Board, the Board believes that this arrangement will not have negative influence on the balance of power and authorisation between the Board and the management of the Company.

The Board will regularly review the effectiveness of this arrangement to ensure that it is appropriate to the circumstances of the Company. The Board will review and consider splitting the roles of the chairman of the Board and the managing director of the Company at a time when the Group can identify a suitable candidate with capable leadership, knowledge and relevant skills and experience for the position. Owing to the business nature and scope of the Group as a whole, such appropriate candidate shall have profound understanding and experience on the business of the Group and therefore there is no definite timetable for such appointment.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are as follows:

- (1) Mr. Chong Chi Kwan resigned as a non-executive Director and ceased to be a member of each of the audit committee of the Board (the “Audit Committee”) and the remuneration committee of the Board (the “Remuneration Committee”) with effect from 6 June 2025.
- (2) Mr. Tsui Ho Chuen, Philip ceased to be a member of the nomination committee of the Board (the “Nomination Committee”) with effect from 6 June 2025.
- (3) Ms. Meng Jinxia has been appointed as a member of each of the Audit Committee and the Nomination Committee with effect from 6 June 2025.
- (4) Mr. Mak Chi Wah has been appointed as a member of the Remuneration Committee with effect from 6 June 2025. He has been re-designated as a non-executive Director and appointed as a member of the Audit Committee with effect from 13 June 2025. Mr. Mak Chi Wah has entered into a new letter of appointment with the Company for a term of three years commencing from 13 June 2025. Under the new letter of appointment, he is entitled to receive a director’s fee of HK\$200,000 per annum.

Other Information

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard as set out in the Model Code. After specific enquiry by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code and the Company's own code during the six months ended 30 June 2025.

On behalf of the Board

CPM Group Limited

Tsui Ho Chuen, Philip

Chairman and Managing Director

Hong Kong, 28 August 2025