



中漆集團有限公司  
CPM GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 1932

INNOVATE  
ELEVATE  
ACCELERATE

2025  
ANNUAL 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 (*AC Chairman*)

Xia Jun

Meng Jinxia

Mak Chi Wah

## REMUNERATION COMMITTEE

Xia Jun (*RC Chairman*)

Chua Joo Bin

Mak Chi Wah

## NOMINATION COMMITTEE

Xia Jun (*NC Chairman*)

Chua Joo Bin

Meng Jinxia

## COMPANY SECRETARY

Fok Pik Yi, Carol

## AUDITOR

ZHONGHUI ANDA CPA Limited  
23/F, Tower 2, Enterprise Square Five  
38 Wang Chiu Road, Kowloon Bay  
Kowloon, 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](http://www.cpmgroup.com.hk)

# Chairman's Statement

## OVERVIEW

In 2025, China achieved a gross domestic product (“GDP”) growth of 5.0%, which was in line with the official target. This growth was primarily driven by several sectors such as high-tech manufacturing, electric vehicles, solar power, and clean energy, which collectively accounted for over one-third of the overall growth and constituted 11.4% of the total GDP. Although property investment remained weak, strong exports and domestic consumption, particularly in the services sector, also contributed to the economic expansion. Conversely, other sectors in Mainland China faced significant challenges, impacted by the domestic economic downturn and weak consumer confidence. These challenges were compounded by the pressures of industry involution and geopolitical disruptions that affected trade and supply chains. In response, several monetary authorities continued to ease their monetary policies by implementing low interest rates to stimulate investment and boost economic activities amid slowing economic growth. Overall, economic resilience in Mainland China was sector-based. While the export sector continued to perform robustly, the domestic consumption remained a weak spot. According to the data released by the National Bureau of Statistics of China (“NBSC”), the percentage change in contributions to GDP growth from consumption expenditures, net exports, and capital investments shifted from 2.2%, 1.5%, and 1.3% in 2024 to 2.6%, 1.6%, and 0.8% in 2025, of which reflecting a changing economic landscape.

Property investment remained low in Mainland China in 2025. According to data from the NBSC, the accumulated construction area of new projects significantly decreased by 20.5% in 2025, as compared to the decrease of 22.5% in 2024. The accumulated completion area also decreased by 18.2% in 2025, as compared to the significant decrease of 26.1% in 2024. Furthermore, the accumulated construction area of construction-in-progress in the real estate industry in Mainland China decreased by 10.0% in 2025, as compared to the decrease of 12.5% in 2024. Throughout the year, the paint and coating industry in Mainland China experienced a notable decrease in production volume, while sales value also fell, but the decline in sales value was considerably less pronounced. The market for architectural paint and coating products was characterised by weak demand and oversupply, resulting from substantial overcapacity in production, which intensified competitive pressures across the industry. Consequently, the Group experienced a 43.6% decrease in architectural paint and coating products, as compared to the last year. In response, the Group successfully achieved incremental growth in several other, less significant regions, while continuing to refine the quality and value proposition of its existing products targeted at the low-price market, which resulted in generating additional revenue.

As industrial manufacturing continued to expand, driven by demand from domestic consumption and overseas exports, several paint and coating manufacturers began investing in capacity and establishing production facilities in the industrial paint and coating sector in 2023. By 2025, these manufacturers maintained a low-price strategy and increased discounts throughout the year. This approach intensified competitive pressures within the industry. Consequently, the Group experienced a 15.5% decline in sales of industrial paint and coating products compared to the previous year. This decrease was attributed to: (i) geopolitical tensions causing unstable tariffs and reduced orders; (ii) the entry of new paint and coating manufacturers offering significantly lower prices, which intensified competition; and (iii) the implementation of a flexible pricing strategy by the Group to address challenges in the industrial paint and coating market compared to 2024.

# Chairman's Statement

## OVERVIEW (continued)

As the wholesale and retail trade of paint and coating products in Mainland China and Hong Kong encountered heightened competition due to weak consumer confidence, most paint and coating manufacturers focused their efforts on these sectors, maintaining a strategy of lower prices and increased discounts throughout the year. This approach intensified competitive pressures across the industry. Consequently, the Group experienced a 24.0% decline in sales of paint and coating products to wholesale and retail distributors in both regions compared to the year ended 31 December 2024. This decrease was primarily attributed to fierce competition within the paint and coating market, driven by decreased sales to property developers amid a sluggish real estate environment. Additionally, many manufacturers reduced their selling prices to attract distributors and mitigate revenue losses stemming from lower demand, which further intensified competitive pressures. Moreover, the Group adopted a flexible pricing strategy to address the significant challenges and increased competition faced by wholesale and retail distributors, compared to the year ended 31 December 2024.

Throughout the year, the paint and coating industry benefited from relatively low raw material prices at the point of purchase, as a result of decreased crude oil prices, which led to a decline in the prices of refined oil products. Consequently, paint and coating manufacturers reduced their cost of sales and improved their profitability. However, due to intensified market competition, some manufacturers opted to transfer a portion of their profit back to their customers by offering discounts. The Group also provided competitive offers to its customers. As a result, the Group observed lower raw material costs at the point of purchase and maintained competitive pricing amid fierce market competition in Mainland China and Hong Kong. This cost advantage enabled the Group to offer additional discounts to attract and retain customers. Consequently, the percentage of raw material costs relative to sales decreased by 5.1% compared to the year ended 31 December 2024.

To optimise the Group's asset allocation and enhance operating cash flows, the investment properties continued to provide consistent operational cash inflows for the year ended 31 December 2025. However, rental income from these investment properties significantly decreased by 20.0% compared to the year ended 31 December 2024. This decrease was predominantly attributable to the cancellation of the appreciation rental clause in existing tenancy agreements, which was influenced by a recent downturn in rental prices within Mainland China. Consequently, this adjustment affected the effective rent calculations in the accounting treatment. Despite the decline in rental income, the overall cash generation from investment properties slightly increased, as compared to the last year. Furthermore, owing to the appreciation of the Renminbi, the total value of the Group's investment properties decreased slightly to HK\$292.17 million as at 31 December 2025, down from HK\$295.28 million as at 31 December 2024. In light of the challenges posed by the dynamics of the paint and coating market, the Group established a property investment segment in 2022. This segment, dedicated to the development and management of investment properties, reflected the Group's commitment to adapting its strategic approach. By diversifying its operations, the Group aimed to enhance transparency and consistently create value for the shareholders of the Company.

# Chairman's Statement

## RESULTS

In light of the prevailing challenging market conditions, the Group recorded a notable decline in revenue of 25.0% for the year ended 31 December 2025. However, the Group's gross profit only decreased by 22.2%, which represented a better outcome compared to the revenue decline, thereby enhancing the gross profit margins for the year. The Group successfully implemented reductions in operating expenses and improved the management of outstanding aged trade and bills receivables. This improvement enabled the reversal of certain provisions for impairment of trade and bills receivables, reflecting the Group's ongoing commitment to minimising losses and enhancing gross profit margins. Through the ongoing implementation of effective business revamp measures and initiatives, the Group's overall performance continued to improve compared with the year ended 31 December 2024. Nevertheless, the Group's loss for the year ended 31 December 2025 diminished by 4.0%, amounting to HK\$46.05 million, as compared to HK\$47.98 million in 2024.

In addition, the Group demonstrated a continued strengthening of its financial position compared to the last year. This improvement was particularly significant in light of the challenging market conditions faced during the year. Specifically, the Group's net current assets significantly increased by 17.2%, rising from HK\$95.05 million as at 31 December 2024, which underscored the Group's effective liquidity management strategies aimed at ensuring financial stability. Concurrently, the Group successfully reduced its bank and other borrowings by 16.0%, resulting in a total of HK\$164.65 million as at 31 December 2025. This reduction not only illustrated prudent financial management practices but also enhanced the robustness of the balance sheet by diminishing debt exposure. Furthermore, the Group's gearing ratio improved, decreasing by 5.4 percentage points to 46.6% as at 31 December 2025. This reduction signified a lower reliance on debt financing, thereby enhancing the Group's financial resilience and capacity to address future challenges.

Despite the loss recorded, the Group remained committed to enhancing operational effectiveness and addressing potential challenges, with the objective of establishing a solid foundation for sustainable growth and ultimately regaining a competitive advantage in an evolving business environment.

# Chairman's Statement

## BUSINESS OUTLOOK

Looking ahead to 2026, the paint and coating industry in Mainland China will face significant challenges relative to 2025. Several key insights into the expectations of the Group for the coming year.

Firstly, although the downward trend in demand for paint and coating products is likely to continue, the Group anticipates that the pace of this decline will slow. The year 2026 marks the commencement of the "15th Five-Year Plan", during which the Group expects government policies aimed at stabilising investment and expanding domestic demand to play a crucial role. Sectors such as urban renewal, electric vehicles, and container applications (including energy storage) are projected to stimulate demand in the paint and coating industry, thus serving as core growth drivers. Nonetheless, the Group also acknowledges that the total floor area of new construction starts in the real estate sector is expected to decrease. As a result, the overall demand for paint and coatings may remain subdued.

Secondly, it is important to acknowledge that insufficient demand for paint and coating products, together with excess capacity, has created challenges for manufacturers in the industry. The unexpected decrease in demand in 2025 significantly complicated efforts to implement price increases. Looking ahead, it is crucial for industry participants to focus on establishing a new equilibrium; without this, any price recovery is likely to lack the support of industry consensus.

Thirdly, the ongoing Russo-Ukrainian tensions have a significant impact on crude oil prices. Recently, the Group has observed that these prices have risen above US\$100 per barrel and are exhibiting considerable volatility. This fluctuation is largely driven by concerns about conflicts involving Iran, particularly with the United States and Israel, which have emerged since late February 2026. Consequently, these developments are creating substantial cost pressures within the paint and coating industry, primarily due to inflation affecting the prices of essential raw materials. The Group needs to remain vigilant and responsive to these evolving market dynamics as it navigates the challenges ahead.

Despite encountering ongoing challenges, the Group is adopting a prudent approach regarding its business outlook, emphasising innovation and operational efficiency to adapt to evolving market conditions. While financial stability remains a priority, the Directors are acutely aware of the difficulties ahead for the paint and coating industry. There is an urgent need to develop a strategic plan to maintain product quality and ensure supply continuity in light of soaring raw material costs and potential constraints in sourcing these materials in Mainland China. By maintaining robust product quality and ensuring timely deliveries, the Group aims to mitigate further declines in sales, and support improvements in profitability and operational efficiency. The Directors are diligently monitoring governmental initiatives designed to stimulate domestic demand and promote sector growth, whilst recognising the significant obstacles that need to be addressed moving forward.

# Management Discussion and Analysis

## BUSINESS REVIEW

In 2025, the Group remained focused on navigating a challenging operating environment characterised by intense competition and diminished demand for paint and coating products in both Mainland China and Hong Kong. The ongoing effects of a sluggish real estate market, geopolitical tensions and elevated tariff rates continued to impact both direct and indirect end-users of our products. During this year, the Group faced a 25.0% decrease in revenue, which significantly influenced the financial performance of the Group. Despite this decline, the Group successfully achieved a 16.6% reduction in overall expenses, which included selling and distribution expenses, administrative costs, other expenses and finance costs. This strategic cost management helped mitigate the impact of decreased sales on the profitability of the Group. As a result of these efforts, the Group recorded a 4.0% decrease in net losses, indicating that while revenue declined, disciplined management of expenses helped mitigate the extent of the losses. These outcomes further highlight the persistent challenges within the market and the importance of continued strategic initiatives to enhance resilience and adaptability moving forward.

On a more positive note, several key improvements were observed: there was a reduction in the provision for impairment of trade and bills receivables, indicating more effective management and collection of aged outstanding trade and bills receivables. Furthermore, the Group's gearing ratio was improved, which indicates a more manageable level of debt compared to its capital structure. Additionally, the current assets ratio demonstrated positive movement, signifying enhanced liquidity. Moreover, the Group experienced a HK\$16.35 million increase in net current assets, thereby strengthening its capacity to meet short-term commitments. It is important to note, however, that the Group recorded a HK\$27.29 million increase in non-current liabilities. This highlighted the need for prudent management of long-term obligations to ensure stability, especially given the ongoing challenges faced. In response to these market challenges and changes, the Group continued to prioritise the implementation of effective business revamp measures and initiatives aimed at enhancing its operational resilience and adaptability. This commitment seeks to position the Group for future growth while effectively managing the current obstacles the Group faces.

For the paint and coating business, the products of the Group can be broadly divided into industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products. Industrial paint and coating products are used in a wide range of applications, such as furniture painting, manufacturing and surface finishing for different kinds of materials, and are used by manufacturers, renovation contractors for property and infrastructure projects and household users. Architectural paint and coating products are used for walls, floors and exterior parts of buildings. The Group's architectural paint and coating products focus primarily on the construction and maintenance markets of commercial and residential properties. General paint and coating and ancillary products, such as thinner, enamels, anti-mold agents and solvent agents, can be used for both architectural and industrial purposes.

## REVIEW OF OPERATION

### Revenue

In 2025, the Group's total revenue amounted to approximately HK\$241.09 million, which included the sales of paint and coating products of HK\$222.68 million and rental income from investment properties of HK\$18.41 million. The amount of the total revenue represented a significant decrease of 25.0%, as compared to the Group's total revenue of HK\$321.35 million in 2024, which included sales of the paint and coating products of HK\$298.34 million and rental income from investment properties of HK\$23.01 million.

# Management Discussion and Analysis

## REVIEW OF OPERATION (continued)

### Paint and Coating Products

For the year ended 31 December 2025, the Group's revenue from the sales of the paint and coating products amounted to approximately HK\$222.68 million, representing a significant decrease of 25.4%, as compared to approximately HK\$298.34 million in 2024. The following sets forth an analysis of the Group's revenue from the sales of the paint and coating products for the year ended 31 December 2025 (with comparative figures for the year ended 31 December 2024):

	Year ended 31 December		2024		% of net change
	2025		2024		
	HK\$'000	%	HK\$'000	%	
Industrial paint and coating products	127,681	57.3	151,138	50.7	(15.5)
Architectural paint and coating products	37,729	17.0	69,933	23.4	(46.0)
General paint and coating and ancillary products <sup>(1)</sup>	57,269	25.7	77,270	25.9	(25.9)
	<u>222,679</u>	<u>100.0</u>	<u>298,341</u>	<u>100.0</u>	<u>(25.4)</u>

<sup>(1)</sup> 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.

Industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products accounted for 57.3% (2024: 50.7%), 17.0% (2024: 23.4%) and 25.7% (2024: 25.9%) of the total revenue generated from the sales of the paint and coating products in 2025, respectively. The Group continued to focus on the Mainland China market which contributed to 86.6% (2024: 80.8%) of the total revenue generated from the sales of the paint and coating products in 2025.

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

For the year ended 31 December 2025, the sales to the wholesale and retail distributors in Hong Kong significantly decreased by 49.6%, as compared to the year ended 31 December 2024. This decline was primarily due to recent changes within the sales team, which coincided with a period of adjustment that influenced sales figures, and the adverse conditions impacting the building and construction sector in Hong Kong during the year. This sector faced challenges as developers adopted a cautious approach to new projects, resulting in a sudden decline in the volume of private construction initiatives. Consequently, there was significant underutilisation and heightened unemployment pressures in trades related to paint and coating products, including painting. Furthermore, the decline was exacerbated by a flexible price approach implemented in response to considerable challenges and increased competition faced in the market, as compared to the last year.

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

For the year ended 31 December 2025, the Group's sales to property developers and their contractors working for private residential property projects in Mainland China amounted to HK\$0.26 million, representing a significant decrease of 98.5%, as compared to HK\$17.96 million for the year ended 31 December 2024. This decrease was attributed to several factors: (i) the sluggish real estate market in Mainland China; (ii) stagnation in new property project initiatives; (iii) intensified competition among paint manufacturers targeting customers in the real estate market in Mainland China; (iv) failure to secure several contracts from tender submissions during the year; and (v) the decline was exacerbated by the flexible price approach implemented in response to considerable challenges and increased competition faced in the market, as compared to the last year.

# Management Discussion and Analysis

## REVIEW OF OPERATION (continued)

### Paint and Coating Products (continued)

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

For the year ended 31 December 2025, the Group's sales to wholesale and retail distributors in Mainland China significantly decreased by 12.7% to approximately HK\$95.40 million, as compared to HK\$109.28 million for the year ended 31 December 2024. This decline was primarily due to the result of intense competition within the paint and coating market in Mainland China, driven by reduced sales of paint and coating products sold to property developers amid a sluggish real estate market. Additionally, several paint and coating manufacturers substantially lowered their selling prices in an effort to attract wholesale and retail distributors and to counteract revenue losses arising from decreased demand among property developers. This pricing strategy further intensified competitive pressures within the paint and coating industry, serving various sectors of wholesale and retail distribution in Mainland China. Moreover, the decline was further exacerbated by the flexible price approach implemented in response to considerable challenges and heightened competition within the paint and coating market for wholesale and retail distributors, as compared to the last year.

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

For the year ended 31 December 2025, the Group experienced a significant decline in sales to industrial manufacturers in Mainland China, which significantly decreased by 14.9% to approximately HK\$74.11 million, from approximately HK\$87.13 million for the year ended 31 December 2024. This downturn was attributed primarily to the following factors: (i) geopolitical tensions resulting in unstable tariffs, which led to reduced orders from our customers, who also decreased their orders from overseas manufacturers of various products, including machinery, mechanical equipment, toys, apparel, and others; (ii) the entry of several paint and coating manufacturers into the industrial paint and coating segment, who offered significantly lower selling prices in an effort to attract industrial manufacturers of automotive products and components. This pricing strategy intensified competitive pressures within the paint and coating industry, serving various industrial sectors in Mainland China; and (iii) the decline was further exacerbated by the flexible price approach implemented in response to considerable challenges and heightened competition within the industrial paint and coating market, as compared to the last year.

In response to the challenging sales performance for the year ended 31 December 2025, the Group implemented a series of strategic measures designed to safeguard the business and enhance short-term competitiveness and profitability. A key focus was the improvement of our product offerings in the low-cost market segment, which successfully reduced the rate of sales decline and positively contributed to revenue. However, despite these initiatives, the results indicated that they were insufficient to fully offset the declines observed in the six months ended 30 June 2025. This period experienced diminished demand for architectural coating products, primarily sold to property developers and through our wholesale and retail distribution channels. The Group reported a significant 29.3% decline in sales for the six months ended 30 June 2025. This decline corresponded to an average reduction of 25.4% in sales for the entire year when compared to the six months ended 30 June 2025. The data reflected the Group's continued commitment to enhancing sales and demonstrated its strategic response to prevailing market conditions throughout the year. Moving forward, the Group remained focused on refining its approach and adapting to the challenges that lay ahead.

# Management Discussion and Analysis

## REVIEW OF OPERATION (continued)

### Geographical Analysis of Revenue

Geographically, for the year ended 31 December 2025, the Group's revenue generated from the sales in Mainland China and Hong Kong accounted for 86.6% and 13.4%, respectively, as compared to 80.8% and 19.2%, respectively for the year ended 31 December 2024. Most of the Group's revenue was generated from the sales to customers in Southern China, Eastern China and Southwest China. Revenue generated from the sales to the customers in these regions, in aggregate, accounted for 80.7% of the Group's total amount of revenue for the year ended 31 December 2025, as compared to 76.1% from sales to customers in Southern China, Central China and Eastern China in 2024.

#### ***Significant decrease in the sales of paint and coating products in Southern China***

For the year ended 31 December 2025, the Group's revenue from the sales of paint and coating products in Southern China significantly decreased by 20.2%, as compared to the last year. This decline was primarily attributed to a substantial reduction in sales to both wholesale and retail distributors and property developers and their contractors within the region, which accounted for contributions of approximately 46.0% and 31.4%, respectively. The reasons for this significant decrease in sales were outlined in the preceding analysis of the revenue from paint and coating products for the year ended 31 December 2025.

In 2025, the paint and coating market in Mainland China was characterised by low demand amid an abundance of supply, resulting in heightened competition within the industry. Furthermore, one of the well-known manufacturers of paint and coating products reported a similar trend, noting a substantial decline in sales of architectural paint and coating products sold to businesses and consumers in Mainland China, including a significant reduction in contract work projects.

#### ***Significant decrease in the sales of paint and coating products in Eastern China***

For the year ended 31 December 2025, the Group's revenue from the sales of paint and coating products in Eastern China significantly decreased by 18.7%, as compared to the last year. This decline was primarily attributed to a substantial reduction in sales to both industrial manufacturers and wholesale and retail distributors within the region, which accounted for contributions of approximately 67.2% and 26.8%, respectively. The reasons for this significant decrease in sales were outlined in the preceding analysis of the revenue from paint and coating products for the year ended 31 December 2025.

#### ***Significant decrease in the sales of paint and coating products in Hong Kong***

For the year ended 31 December 2025, the Group's revenue from the sales of paint and coating products in Hong Kong significantly decreased by 47.9%, as compared to the last year. This decline was primarily attributed to a substantial reduction in sales to wholesale and retail distributors within the region, which accounted for approximately 87.3% of the total contribution. The reasons for this significant decrease in sales were outlined in the preceding analysis of the revenue from paint and coating products for the year ended 31 December 2025.

Notwithstanding the subdued sales performance for the year ended 31 December 2025, the Group undertook pragmatic measures to safeguard the business and enhance its long-term competitiveness. The Group succeeded in achieving incremental growth in several other, less significant regions, whilst continuing to refine the quality and value proposition of its existing products aimed at the low-price market, which resulted in additional revenue. Although these endeavours proved insufficient to entirely counterbalance the decline observed in the primary regions, particularly due to the diminished demand for architectural coating products sold to property developers as well as through wholesale and retail distribution, the results nonetheless demonstrated the Group's capacity to respond swiftly to changing market conditions and sustain customer engagement.

# Management Discussion and Analysis

## REVIEW OF OPERATION (continued)

### 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 significant portions of the total cost of raw materials. Fluctuations in crude oil prices directly and indirectly impact the prices of these raw materials, thereby significantly affecting the profitability of paint and coating manufacturers, as raw material costs comprise a substantial portion of the total production cost. During the year ended 31 December 2025, crude oil prices significantly decreased by 17.3%, ranging between US\$54 and US\$68 per barrel, as compared to a range of US\$63 and US\$85 per barrel for the year ended 31 December 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 lower raw material costs at the point of purchase and was able to offer 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 5.1%, as compared to the year ended 31 December 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. This led to a significant reduction in the raw material component of the cost of sales, which decreased by 2.7 percentage points as compared to the year ended 31 December 2024. This performance underscores the critical role of agile and adaptive strategies in navigating economic variability and maintaining a strong market presence.

#### **Direct and indirect labour cost**

During the year ended 31 December 2025, the Group recorded a 19.6% decrease in direct and indirect labour costs, which was largely driven by a 25.4% decline in sales for the year. Although this reduction in labour costs was less than the decline in sales of paint and coating products, the Group was unable to fully counteract the operational inefficiencies resulting from reduced sales.

It was noteworthy that the Group achieved a 15.7% reduction in direct and indirect labour costs in the six months ended 30 June 2025, which coincided with a 29.3% decrease in sales for the corresponding period. This average reduction of 19.6% over the entire year of 2025, when compared to the six months ended 30 June 2025, illustrated the Group's ongoing efforts to enhance sales and manage costs effectively, reflecting a strategic response to the challenging market conditions faced throughout the year.

#### **Depreciation and production overhead**

The depreciation and production overhead costs are primarily composed of fixed costs, with a proportion of variable costs present. For the year ended 31 December 2025, the Group achieved a 10.4% reduction in depreciation and production overhead costs. This aligned with the Group's ongoing strategy focusing on efficiency and budget control. Key measures include a 11.8% decrease in production overhead through streamlined processes and cost-reduction initiatives.

These efforts demonstrated the Group's proactive approach in managing costs while positioning the Group for future growth, ensuring sustainable value creation for shareholders of the Group even amidst challenging market conditions.

# Management Discussion and Analysis

## REVIEW OF OPERATION (continued)

### Gross Profit Margin and Gross Profit of the Group's Products

Due to the 25.4% decrease in sales, for the year ended 31 December 2025, the Group recorded a 22.7% decrease in gross profit for the year ended 31 December 2025, as compared to the year ended 31 December 2024. This decline was exacerbated by vigorous market competition within the paint and coating 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 this downturn, the Group achieved a 1.3 percentage points increase in the gross profit margin to 36.9%, as compared to 35.6% for the year ended 31 December 2024.

### Other Income and Gains, Net

The net amount of other income and gains for the year ended 31 December 2025 showed a significant increase of 19.3% to HK\$6.44 million, as compared to HK\$5.40 million for the year ended 31 December 2024. This increase was primarily attributable to a new government grant of HK\$1.31 million provided by the Chinese government to a subsidiary related to innovation and R&D investment.

### Selling and Distribution Expenses and Administrative Expenses

For the year ended 31 December 2025, the Group's selling and distribution expenses significantly declined by 17.1% to approximately HK\$42.19 million, as compared to approximately HK\$50.89 million for the year ended 31 December 2024. The reduction in selling and distribution expenses was primarily due to a significant decrease in legal and professional fees, amounting to approximately HK\$7.11 million. This decrease was influenced by various factors, including outcomes from ongoing lawsuit cases, where negotiations related to aged outstanding trade and bills receivables during the litigation process contributed to the collection of certain receivables. The resolution of completed lawsuits and effective follow-up actions to recover funds from aged trade and bills receivables also played key roles. Furthermore, due to the softer demand from the real estate sector and the increased competition within the paint and coating industry, the Group maintained a similar level of promotions as in 2024, while also enhancing specific promotions for certain valued customers during the year. Consequently, without considering the legal and professional fees, the selling and distribution expenses exhibited no marked decrease, despite a 25.4% reduction in sales during the year.

For the year ended 31 December 2025, administrative expenses increased by 11.7% to approximately HK\$82.51 million, as compared to approximately HK\$73.88 million for the year ended 31 December 2024. The increase was primarily due to the increase in withholding tax, other taxes and other additional expenses, which offset the positive impact of cost savings realised from reductions in salaries and staff welfare, audit fees, depreciation and other related expenses.

### Reversal of Provision/(Provision) for Impairment of Trade and Bills Receivables, Net

For the year ended 31 December 2025, the Group recorded the reversal of provision for impairment of trade and bills receivables of approximately HK\$10.47 million, as compared to the provision for impairment of trade and bills receivables for the year ended 31 December 2024. This turnaround was primarily attributable to the settlement of certain aged outstanding trade and bills receivables during the year, which resulted in the reversal of specific provisions for impairment as at 31 December 2025.

The Group made a reversal of provision/(provision) for the impairment of trade and bills receivables in accordance with HKFRS 9, considering both historical credit loss experience and forward-looking information. In evaluating the reversal of provision/(provision) for the impairment of aged trade and bills receivables in connection with property developers and contractors as at 31 December 2025 and 2024, the Group engaged an independent professional valuer to perform the assessment.

# Management Discussion and Analysis

## REVIEW OF OPERATION (continued)

### Other Expenses, Net

For the year ended 31 December 2025, the amount of other expenses decreased by 3.0% to approximately HK\$10.23 million, as compared to approximately HK\$10.55 million in 2024. This decrease was mainly due to the decrease in levies and stamp duties, resulting from the 25.4% decrease in sales. Additionally, this positive impact was partially offset by provision for the impairment of deposits for the purchases of property, plant and equipment, which was recognised for the year, amounting to approximately HK\$1.25 million. This provision was determined after assessing that the carrying amount of the deposit exceeded its recoverable amount under the prevailing market conditions and related market prices.

Amidst strategic adjustment and implementation of ongoing business revamp measures and initiatives aimed at addressing market challenges, the Group successfully enhanced its financial performance, despite a 25.4% decrease in sales. The Group significantly reduced to a segmental loss of HK\$35.86 million for the year ended 31 December 2025, as compared to a segmental loss of HK\$47.79 million for the year ended 31 December 2024. This improvement was primarily attributed to the implementation of flexible pricing strategies, the effective cost-saving measures and the proactive credit management, alongside improved profit margins and cost efficiencies across major operations.

### 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 optimised its asset allocation and improved its operating cash flow. It was important to note that the sluggish real estate market in Mainland China had a negative impact on asset valuations, resulting in an increase in fair value losses of HK\$17.13 million for the year ended 31 December 2025. The valuation of the Group's investment properties for that year was shaped by opposing factors. While this increase in fair value losses led to a significant decline in the value of investment properties, other positive influences helped to mitigate the overall impact on investment property valuations. Consequently, the valuation slightly decreased to HK\$292.17 million as at 31 December 2025, as compared to HK\$295.28 million as at 31 December 2024. Despite the decrease 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.

As at 31 December 2025, the Group's investment property portfolio 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.

Revenue generated from property investment for the year ended 31 December 2025 amounted to approximately HK\$18.41 million, marking a substantial decrease from approximately HK\$23.01 million in 2024. Consequently, the segment result shifted to a loss for the year ended 31 December 2025, which amounted to HK\$1.05 million, as compared to a profit of approximately HK\$12.09 million in 2024. This decline was primarily attributed to the increased fair value losses on investment properties, which escalated from HK\$7.98 million in 2024 to HK\$17.13 million in 2025, alongside a reduction in rental income of approximately HK\$4.60 million. Both factors reflected broader market valuation pressures and downward pressure on rents.

# Management Discussion and Analysis

## REVIEW OF OPERATION (continued)

### Property Investment (continued)

The business model of the Group aims to strike a balance between short-term capital needs and long-term financial stability. For this purpose, the Group strategically relocated its production facilities, which has allowed for the reclassification of these properties as investment properties, thereby providing a source of consistent rental income. Furthermore, the Group may choose to divest certain properties to finance its business operations and expansion strategies. This approach will enable the Group to sustain its operations through rental income while generating additional capital through property sales, thus enhancing its overall financial position. Additionally, while the Group seeks long-term capital appreciation of its investment properties, it is aware of the potential for value fluctuations, including the fair value losses on investment properties in the current market environment.

## BUSINESS OUTLOOK AND BUSINESS PLANS

### Business Outlook

Looking ahead to 2026, the Mainland China and Hong Kong governments have established their annual growth targets, projecting growth between 4.5% and 5.0% for Mainland China and between 2.5% and 3.5% for Hong Kong. These targets are influenced by the ongoing challenges posed by a sluggish real estate market, escalating geopolitical tensions, inflationary pressures, and tariffs. The paint and coating market in Mainland China continues to be primarily driven by rapid urbanisation and significant growth in the automotive and industrial manufacturing sectors. These industries create stable demand for both architectural and industrial paint and coating products, effectively maintaining the baseline levels of consumption, regardless of fleeting stylistic trends or technological developments. Nevertheless, the market is currently facing substantial challenges due to the decline in the domestic real estate sector within Mainland China. This downturn has directly affected the demand for architectural paint and coating products, leading to a deceleration in overall production growth, even as other areas of the economy display resilience.

In addition, it is important to acknowledge the ongoing Russo-Ukrainian tensions and their significant impact on crude oil prices. Recently, the Group has observed that prices have risen above US\$100 per barrel and exhibit considerable volatility, largely driven by concerns surrounding potential conflicts involving Iran, particularly in relation to the United States and Israel. These developments create substantial cost pressures within the paint and coating industry, primarily due to inflation affecting the prices of raw materials necessary for our manufacturing processes. It is crucial for the Group to carefully evaluate whether to absorb these increased costs or to pass them on to end consumers of the Group. This decision will play a vital role in influencing our profitability and pricing strategy within the marketplace.

Moving forward, a strategic approach to cost management and pricing adjustments will be essential. Ensuring operational efficiency and maintaining competitive pricing will be key in navigating these challenging market conditions while protecting the bottom line of the Group. Additionally, the Group prioritises a cohesive strategy to adapt effectively to these changes. In this evolving operating landscape, enhancing the Group's innovation capabilities and sustainability performance will be vital in capturing emerging opportunities. The Group remains strategically positioned to leverage the evolving market dynamics across both regions while advancing our environmental commitments.

# Management Discussion and Analysis

## **BUSINESS OUTLOOK AND BUSINESS PLANS** (continued)

### **Business Plans**

In 2025, the Group observed a significant divergence in the paint and coating industry across Mainland China and Hong Kong. While there was a decline in total manufactured production volume, overall sales figures saw an increase. This scenario indicated that a downward adjustment in selling prices was necessary, owing to the heightened competition within the market. To address these challenges, the Group implemented proactive strategic measures beginning in the second quarter of 2025, aimed at safeguarding the Group's operations and enhancing the Group's short-term competitiveness and profitability. A primary focus of these initiatives has been the improvement of the Group's product offerings in the low-cost market segment. This strategy has effectively mitigated the decline in sales while positively impacting the revenue of the Group. The Group will continue to pursue this effective sales initiative into 2026 and remain vigilant in monitoring market dynamics. Adjustments to the Group's strategy will be made as necessary to ensure that the Group remains responsive to changes in the marketplace.

In addition to the short-term sales initiative, the Group is committed to expanding its reach and enhancing business opportunities by actively engaging with both existing and prospective wholesalers across Mainland China, Hong Kong, and other regions. This stabilisation is of utmost importance as the Group prepares for future growth enhancements. Simultaneously, the Group is optimising its financing arrangements by reducing borrowings and borrowing costs, as well as improving the efficiency of the Group's recovery processes from trade and bills receivables. The Group is implementing a series of business initiatives focused on achieving these objectives. These initiatives include (i) exploring diversified financing facilities to ensure sustainable liquidity; (ii) seeking advantageous terms to minimise interest burdens on the borrowings of the Group; and (iii) expediting the turnover of trade and bills receivables through improved credit management practices. Each initiative is designed to fortify financial resilience and position the Group for enduring success amidst evolving market conditions. To achieve these objectives, the following business initiatives are currently being implemented:

#### **1. Leveraging Strategic Partnerships for Product Expansion and Market Reach**

Given the current challenging economic landscape, the Group has faced significant obstacles in leveraging strategic partnerships for product expansion during 2024 and 2025. The collaborative initiatives that commenced in 2022, aimed at diversifying the product portfolio of the Group through innovative formulations and patent-sharing, successfully expanded our market reach throughout 2023, 2024 and into 2025. However, the prevailing economic conditions have substantially hindered the progress of these initiatives over this period.

Looking ahead, the Group remains committed to reassessing these partnerships and exploring new strategies to enhance growth and adaptability in the market.

# Management Discussion and Analysis

## BUSINESS OUTLOOK AND BUSINESS PLANS (continued)

### Business Plans (continued)

#### 2. Strategic Financial Restructuring and Optimisation

##### ***Strategic Borrowing Arrangements and Enhanced Liquidity: Impact on Net Current Assets***

In 2023, the Group entered into 3-year loan agreements with its holding company and its fellow subsidiaries, which constituted exempted connected transactions and were on normal commercial terms. As at 31 December 2025, the outstanding balance was HK\$71.49 million, denominated in both Hong Kong dollars and Renminbi. The purpose of these borrowing arrangements was to optimise the Group's liquidity and expedite the process of refinancing by securing low-cost and long-term borrowings in Mainland China, while replacing higher-cost borrowings and short-term loans in both Hong Kong and Mainland China. As a direct consequence of these strategic financial undertakings, the total interest-bearing bank and other borrowings experienced a reduction of 16.0%, declining to HK\$164.65 million as at 31 December 2025, as compared to HK\$195.97 million as at 31 December 2024. Concurrently, the liquidity ratio of the Group experienced a significant increase of 23.0%, aligning to 1.66 from 1.35 as at 31 December 2024. This enhancement reflects the Group's commitment to conducting a comprehensive assessment of the Group's working capital requirements, enabling us to allocate resources more efficiently. Moving forward, the Group will continue to focus on maintaining financial stability and optimising resource management to support the Group's growth objectives.

##### ***Restructuring of Financing Arrangements for Enhanced Cost Efficiency***

In 2025, the Group strategically continued to extend its banking facilities in Mainland China, for the purpose of enhancing its financing structure by obtaining low-cost and long-term borrowings in Mainland China. This initiative was designed to replace the higher-cost and short-term borrowings previously acquired in Hong Kong. Consequently, as at 31 December 2025, there was a significant increase in bank borrowings from Mainland China, accompanied by a reduction in bank and other borrowings from Hong Kong. As at 31 December 2025, the proportion of interest-bearing bank and other borrowings denominated in Renminbi rose to 62.9%, an increase from 51.0% as at 31 December 2024. The average rate of interest-bearing bank and other borrowings for the year ended 31 December 2025 experienced a significant reduction of 22.0% to 3.741%, as compared to 4.797% for the year ended 31 December 2024. This restructuring initiative remains a fundamental element of the Group's strategic framework, with plans to extend these efforts throughout 2026. The reorganisation of the Group's financing arrangements is anticipated to further decrease the overall cost of bank borrowings while actively pursuing a more efficient structure. This ongoing commitment to optimisation illustrates the Group's determination to bolster financial stability and support long-term growth objectives.

##### ***Strategic Utilisation of Renminbi Borrowing Funds for Internal Currency Risk Management***

With the expansion of its banking facilities and the borrowing of funds from Mainland China, the strategic utilisation of Renminbi borrowing funds as an internal natural hedge demonstrates the Group's prudent approach to managing currency risk. In comparison to the accounting dates as at 31 December 2025 and 2024, the fluctuation of the Renminbi currency displayed a depreciation of 3.2% for the year ended 31 December 2024, followed by an appreciation of 4.8% for the year ended 31 December 2025. This internalisation of the hedging process reflects the Group's forward-thinking financial strategy. The Group is not only minimising the impact of currency fluctuations but also optimising its resource allocation. From a financial standpoint, this approach highlights the shrewd use of internal mechanisms in risk management, emphasising the Group's dedication to efficient capital deployment. Moreover, it showcases a proactive approach to mitigating currency exposure without incurring the costs associated with external hedging instruments. This action contributes to optimising and stabilising the Group's financial position, aligning with the overarching goal of enhancing stakeholder value and financial resilience.

# Management Discussion and Analysis

## BUSINESS OUTLOOK AND BUSINESS PLANS (continued)

### Business Plans (continued)

#### 3. Proactive Credit Management and Provision for Impairment of Trade and Bills Receivables

Since 2023, amidst economic uncertainties arising from heightened financial stress among property developers and contractors in Mainland China, the Group has prudently addressed these challenges through effective credit management. This approach involved revising credit terms to mitigate the effects of extended payment deferrals on cash flow. By shortening credit periods and engaging in comprehensive discussions, the Group aimed to uphold financial stability and ensure timely receivables, thereby safeguarding liquidity. As at 31 December 2025, the gross trade and bills receivables associated with property developers and contractors recorded a decrease of 27.3%, as compared to 2024. This reduction was primarily attributed to settlements rather than write-offs.

Furthermore, the decision to implement a straight credit period and prepare for the potential legal proceedings demonstrates the Group's commitment to proactive risk mitigation in response to the market dynamics. This strategic approach allows the Group to navigate economic uncertainties while upholding a disciplined credit management framework. By aligning credit terms with the prevailing market conditions and preparing for the potential legal matters, the Group strengthens resilience and ensures operational continuity, positioning itself to manage fluctuations in customer payment patterns and market uncertainties effectively. As at 31 December 2025, there was a notable reduction in the total gross trade and bills receivables as compared to 2024, achieved entirely through settlements being made by payment.

Additionally, the determination of the amount of impairment provision for trade and bills receivables should account for any potential reversal, ensuring consistency with the prudent risk management practices and accounting standards, confirming the Group's commitment to effectively managing credit risks and ensuring financial stability. This proactive measure further enhances the Group's ability to navigate challenges arising from deferred payments and economic uncertainties, reflecting a comprehensive approach to credit risk management. The Group's readiness for potential litigation also highlights its comprehensive approach to managing credit risks and ensuring a stable financial position amidst economic uncertainties, reflecting a comprehensive approach to credit risk management. By adhering to consistent prudent standards for reversal of provision and impairment provision for trade and bills receivables, the Group reinforces the transparency and prudence of its financial reporting, instilling confidence in its ability to mitigate credit risks and maintain sustainable operations.

## FINANCIAL REVIEW

The management has been provided with key performance indicators ("KPIs") to manage its business through evaluating, controlling and setting strategies to achieve performance improvements. Such KPIs include revenue, gross profit margin, net profit attributable to shareholders, inventory turnover days, and trade and bills receivables turnover days.

## RESULTS

The Group's loss attributable to the owners of the parent company decreased by 4.0% to approximately HK\$45.98 million for the year ended 31 December 2025, as compared to a loss of approximately HK\$47.92 million for the year ended 31 December 2024. Revenue for the same year recorded approximately HK\$241.09 million, representing a decline of 25.0% from approximately HK\$321.35 million in 2024. Gross profit for the year ended 31 December 2025 was approximately HK\$100.58 million, representing a decrease of 22.2% as compared to the last year. However, the gross profit margin improved by 1.5 percentage points, rising from 40.2% in 2024 to 41.7% in 2025.

# Management Discussion and Analysis

## SEGMENT INFORMATION

### Business Segments

#### *Paint and coating products*

Paint operation continued to be the largest contributor to revenue, generating approximately HK\$222.68 million, which accounted for 92.4% of the Group's total revenue. However, the paint and coating industry experienced a decline in total production volume, despite the increase in overall sales figures in 2025. This was attributed to ongoing intense competition, a notable contraction in domestic demand, decreased consumer spending, and reduced construction activities across various sectors. As a result, there was a 25.4% decrease in segmental revenue as compared to 2024. Despite these challenges, the sector gained from declining production costs. With crude oil prices decreasing from an average of \$75 per barrel in 2024 to an average of \$62 per barrel in 2025, following significant past volatility, the industry utilised stable cost forecasts to boost profitability. This stabilisation reduced raw material costs for paint and coating products, enhancing gross profit margins amid changing price dynamics. Amidst fierce competition and fluctuating demand, the Group implemented business revamp measures and initiatives, increasing its gross profit margin by 1.3 percentage points, raising it to 36.9% from 35.6% in 2024. Despite improved operational efficiency, the Group faced a segmental loss of approximately HK\$35.86 million for the year ended 31 December 2025, a 25.0% reduction as compared to approximately HK\$47.79 million loss for the year ended 31 December 2024. This segmental loss was chiefly attributed to a substantial 25.4% decrease in sales of paint and coating products.

#### *Property investment*

The property investment segment of the Group recorded a segmental revenue of HK\$18.41 million for the year ended 31 December 2025, which accounted for 7.6% of the total revenue of the Group. The segmental result shifted to a loss for the year ended 31 December 2025 amounted to HK\$1.05 million, as compared to a profit of approximately HK\$12.09 million in 2024. This decline was driven by the increased fair value losses on investment properties, which rose to HK\$17.13 million in 2025 from HK\$7.98 million in 2024, reflecting broader market valuation pressures and downward pressure on rents. Additionally, a reduction in rental income of approximately HK\$4.60 million occurred due to changes in effective rental calculations, resulting from adjustments to the appreciation clauses in long-term tenancy agreements.

#### *Geographical Segments*

The businesses of the Group are operated in Mainland China and Hong Kong. For the year ended 31 December 2025, revenue from operations in Mainland China and Hong Kong amounted to HK\$211.29 million (2024: HK\$264.15 million) and HK\$29.80 million (2024: HK\$57.20 million), respectively.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL INFORMATION

### Liquidity and Indebtedness

The Group's business operation is generally financed by a combination of internal and external financial resources available to the Group. The total cash and cash equivalents amounted to HK\$143.60 million as at 31 December 2025, as compared to HK\$169.25 million as at 31 December 2024. This decrease was primarily due to the net repayment of other borrowings of HK\$36.45 million. To optimise financial liabilities and improve cost-efficiency, the Group undertook a comprehensive review and restructuring of its loan portfolio. The total cash and bank balances including pledged deposits, amounted to approximately HK\$158.29 million as at 31 December 2025 (31 December 2024: HK\$191.46 million). Bank and other borrowings amounted to approximately HK\$164.65 million as at 31 December 2025 (31 December 2024: approximately HK\$195.97 million). The Group's bank and other borrowings mainly bear interest at floating rates. As at 31 December 2025, the Group's total bank and other borrowings amounted to approximately HK\$27.27 million (16.6%) (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\$137.38 million (83.4%) (31 December 2024: approximately HK\$107.90 million (55.1%)) is payable in the second to fifth years.

The Group's cash and bank balances were mainly denominated in Hong Kong dollars and Renminbi, while the Group's bank and other borrowings were all denominated in Hong Kong dollars and Renminbi. The Group's results 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 monitor its foreign exchange exposure and consider hedging its foreign currency exposure should the need arise.

Gearing ratio of the Group, expressed as a percentage of total bank and other borrowings to shareholders' funds, was 46.6% as at 31 December 2025. This marked a decrease from the 52.0% recorded as at 31 December 2024. The primary factor was a decrease in total bank and other borrowings and the boosted asset values by Renminbi during the year. Liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.66 times as at 31 December 2025, showing an increase from 1.35 times as at 31 December 2024. This improvement was largely due to effective management of working capital and enhanced efficiency in the collection of aged outstanding trade and bills receivables.

Furthermore, as at 31 December 2025, net current assets increased by 17.2%, amounting to approximately HK\$111.41 million, which was an increase from approximately HK\$95.05 million as at 31 December 2024. The Group's net working capital exhibited improvement, as demonstrated by a 23.0% increase in the liquidity ratio. This enhancement resulted from a comprehensive assessment of working capital requirements, which enabled a more efficient allocation of resources. The main factor contributing to this positive development was due to the establishment of long-term bank borrowings in Mainland China. These strategic actions improved the Group's liquidity and financial stability as compared to the last year.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL INFORMATION (continued)

### Liquidity and Indebtedness (continued)

During the year ended 31 December 2025, the Group recorded a slight increase in inventory turnover days<sup>1</sup>, from 36 days to approximately 45 days, as compared to the last year. In the same year, the trade and bills receivables turnover days<sup>2</sup> decreased to 106 days, as compared to 127 days in 2024. This improvement underscored the effectiveness of the Group's strategic initiatives, particularly within the paint and coating products sector, where the Group adeptly navigated a challenging market. The Group's proactive credit management had demonstrated resilience. During the year, the Group actively pursued and received several aged trade and bills receivables from customers. As a result of this disciplined management, the Group was able to reverse a provision for impairment of trade and bills receivables amounting to HK\$10.47 million for the year ended 31 December 2025.

### Equity and Net Asset Value

Shareholders' funds of the Company as at 31 December 2025 amounted to approximately HK\$353.06 million, as compared to approximately HK\$377.09 million as at 31 December 2024. Net asset value per share as at 31 December 2025 amounted to approximately HK\$0.36, as compared to approximately 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.

### Contingent Liabilities

As at 31 December 2025, the amount of utilised banking facilities granted to various subsidiaries subject to guarantees given by the Company was approximately HK\$24.00 million (31 December 2024: approximately HK\$21.00 million).

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 secured by pledged deposits were nil as at 31 December 2025 (31 December 2024: approximately HK\$0.64 million).

### Pledge of Assets

As at 31 December 2025, certain investment properties, property, plant and equipment, right-of-use assets and cash deposits have an aggregate net book value of approximately HK\$296.79 million, as compared to approximately HK\$312.08 million as at 31 December 2024. These assets were pledged to financial institutions as collateral for bills payables, bank borrowings, performance bonds and lease liabilities.

<sup>1</sup> The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales times 365 days (31 December 2024: 366 days).

<sup>2</sup> The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue times 365 days (31 December 2024: 366 days).

# Management Discussion and Analysis

## TREASURY MANAGEMENT

### Funding and Treasury Policy

The Group adopts a prudent approach in its funding and treasury policy, which aims to maintain an optimal financial position for the Group and minimise its financial risks. The Group regularly reviews the funding requirements to ensure there are adequate financial resources to support its business operations and future investments as and when needed.

### Foreign Currency Exposure

The Group's cash, bank balances and bank and other borrowings were mainly denominated in Hong Kong dollars and Renminbi. The Group's results can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi. The Group did not have any hedging instruments to hedge the foreign currency exposure as at 31 December 2025. The Group will continue to monitor its foreign currency exposure and requirements closely and arrange hedging facilities when necessary.

### Capital Expenditure

During the years ended 31 December 2025 and 2024, the Group invested a total sum of HK\$1.62 million and HK\$0.74 million, respectively, in plant and equipment. These investments were recorded in the consolidated financial statements as property, plant and equipment.

## HUMAN RESOURCES

As at 31 December 2025, the Group had 397 employees, representing a significant decrease from the figure of 440 as at 31 December 2024. The staff costs for the year ended 31 December 2025 amounted to approximately HK\$72.45 million, excluding directors' emoluments and including equity-settled share-based payments of approximately HK\$0.17 million. This represents a decrease from staff costs of approximately HK\$80.10 million for the year ended 31 December 2024, with no change in equity-settled share-based payments of HK\$0.17 million for the same year.

The Group offers comprehensive and competitive staff remuneration and benefits based on individual performance. Training is provided to employees of the Group depending on their departments and the scope of their responsibilities. The human resources department also arranges for employees to attend training, particularly on workplace health and safety.

# Management Discussion and Analysis

## PRINCIPAL RISKS AND UNCERTAINTIES

### Financial Risks

#### ***Interest Rate Risk***

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short-term in nature whereas interest-bearing financing liabilities are mainly bank borrowings with primarily floating interest rates. The Group is therefore exposed to interest rate risk. The Group's policy is to obtain the most favourable interest rates available.

#### ***Currency Rate Risk***

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's main operating subsidiaries are in Hong Kong and Mainland China and its sales and purchases were mainly conducted in Hong Kong dollars and Renminbi. The Group also has significant investments in Mainland China and its statement of financial position can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi.

#### ***Credit Risk***

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group maintains an allowance for the estimated loss arising from the inability of its debtors to make the required payments. The Group adopts a forward-looking expected credit loss approach to estimate the provision based on the aging of its receivable balances. If the financial condition of its debtors deteriorates, resulting in the actual impairment loss higher than expected, the Group would revise the basis for making the allowance accordingly.

#### ***Market Risk***

Market risk for the Group includes a loss of market share to competitors. Hong Kong and Mainland China, the core markets in which the Group operates, are becoming increasingly competitive. Failing to consider changes in Hong Kong and Mainland China could lead to a loss of business to competitors, which would adversely affect the Group's financial position. As part of its efforts to best protect its business, the Group has specialised sales and marketing teams in its regions, along with competitive pricing policies and high-quality green and safe paint and coating products.

#### ***Operational Risk***

Operational risk occurs when internal processes, people and systems fail, or due to external events, which resulted in a loss of business. Every division and department in the Group is responsible for managing operational risks. There are sets of standard operating procedures, safety standards, limits of authority and reporting framework that guide key functions within the Group. As part of the management's risk management process, key operational exposures will be identified and assessed on a regular basis so that appropriate risk reduction steps can be taken.

# Management Discussion and Analysis

## ENVIRONMENTAL POLICIES AND PERFORMANCE

During the year ended 31 December 2025, the Group has carried out the following environmental works for the paint business of the Group with the aims of “Prevention First, Protect the Environment, Comply with Laws and Regulations, and Environmental Sustainability”:

1. effective monitoring of air emission and source of water pollution in accordance with the relevant statutory and regulatory requirements;
2. disposal of hazardous solid waste via qualified waste disposal service providers;
3. effective use of water and electricity; and
4. providing education to the staff on environmental protection laws and regulations to enhance their awareness of environmental protection.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2025, as far as the Group is aware of, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

## EVENTS AFTER THE REPORTING DATE

Save as disclosed above, there is no significant subsequent event after 31 December 2025.

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

There was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the year ended 31 December 2025. The Board has not yet authorised any plan for other material investments or additions of capital assets.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable effort to develop the best corporate governance practices appropriate to the businesses of the Group. During the year ended 31 December 2025, the Company has applied the principles and complied with the code provisions as set out in 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 holding the dual roles of the Chairman and the Managing Director. After evaluation of the current situation of the Company and taking into account 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 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 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 authority between the Board and the management of the Company.

The Board will regularly review the effectiveness of this arrangement to ensure that it remains appropriate to the circumstances of the Company. The Board will review and consider splitting the roles of the Chairman and the Managing Director 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 an appropriate candidate shall have a profound understanding of and experience in the business of the Group and therefore there is no definite timetable for such appointment.

## CULTURE

The Board is dedicated to promoting a desired corporate culture that encourages care, innovation, dedication, responsibility and happiness throughout the Group and is committed to maintaining robust corporate governance and a high standard of corporate social responsibility. All Directors and employees of the Group are offered training from time to time to enhance their understanding and adherence to the standards in respect of ethics. The Group has further advanced its sustainability framework, emphasising environmental protection, resource management, employee well-being and community engagement. These initiatives ensure that the corporate culture remains aligned with the purpose, values and strategy for sustainable growth.

# Corporate Governance Report

## THE BOARD

During the year and up to the date of this report, the Board comprises the following members:

### Executive Directors

Tsui Ho Chuen, Philip (*Chairman and Managing Director*)

Li Guangzhong (*Sales Director*)

Mak Chi Wah (*up to 12 June 2025*)

### Non-executive Directors

Chong Chi Kwan (*resigned on 6 June 2025*)

Mak Chi Wah (*as from 13 June 2025*)

### Independent Non-executive Directors

Chua Joo Bin

Xia Jun

Meng Jinxia

The biographical details of the Directors including the length of tenure and the relationships among them, if any, are set out in the “Biographies of Directors and Senior Management” on pages 82 to 83. Save as disclosed, the Directors are not related to each other, including financial, business, family or other material/relevant relationship.

Under the CG Code, the roles of the Chairman and the Managing Director should be separate and should not be performed by the same individual. During the year, Mr. Tsui Ho Chuen, Philip is the Chairman and the Managing Director and is responsible for the management of the Board and ensuring that the Board is functioning effectively with good corporate governance practices and procedures. He is also responsible for managing the Group’s businesses, including the implementation of major strategies and initiatives set by the Board. The considered reasons and explanation with respect to this deviation are set out above.

The Company has mechanisms in place to ensure independent views and input are available to the Board. The non-executive Directors have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues relating to the Group’s strategic development, performance and accountability, and ensure that the interests of the Shareholders are taken into account. The Company currently has three independent non-executive Directors, representing more than one-third of the members of the Board, and one of the independent non-executive Directors possesses appropriate professional accounting qualifications or financial management expertise. All the Board committees are chaired by the independent non-executive Director. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess the independence of independent non-executive Directors annually to ensure that they can continually exercise independent judgement. The independent non-executive Directors meet the Chairman annually without the presence of the other Directors. None of the independent non-executive Directors receives equity-based remuneration with performance-related elements. A Director (including the independent non-executive Director) who has a material interest in a contract or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all independent non-executive Directors are independent.

# Corporate Governance Report

## THE BOARD (continued)

The Board has reserved for its decision or consideration matters covering the Group's overall strategy, annual budgets, annual and interim results, major acquisitions and disposals, recommendations on Directors' appointment or re-appointment, corporate governance duties and other significant operational and financial matters. The Board has delegated the day-to-day operations of the Group and the environmental, social and governance-related matters in operation to management under the leadership of the Managing Director.

The Board meets regularly to discuss and review the Group's overall strategy, the operation and financial performance of the Group and other duties of the Board. The attendance record of each Director at the regular Board meetings and general meeting of the Company during the year is set out below:

<b>Directors</b>	<b>Number of regular Board meetings attended/held</b>	<b>Number of general meeting attended/held</b>
<b>Executive Directors</b>		
Tsui Ho Chuen, Philip	4/4	1/1
Li Guangzhong	4/4	1/1
Mak Chi Wah (Note 2)	2/2	1/1
<b>Non-executive Directors</b>		
Chong Chi Kwan (Note 1)	2/2	1/1
Mak Chi Wah (Note 2)	2/2	N/A
<b>Independent Non-executive Directors</b>		
Chua Joo Bin	4/4	1/1
Xia Jun	4/4	1/1
Meng Jinxia	4/4	1/1

Notes:

- (1) Mr. Chong Chi Kwan resigned as a non-executive Director on 6 June 2025.
- (2) Mr. Mak Chi Wah was re-designated as a non-executive Director on 13 June 2025.

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a regular Board meeting is given to all Directors who are given an opportunity to include matters for discussion in the agenda. Agenda and accompanying Board papers are sent to all Directors at least 3 days before the date of a regular Board meeting. Draft and final versions of minutes of regular Board meetings are circulated to all Directors for their comments and records respectively. All Directors are kept informed in a timely manner of major changes that may affect the Group's businesses, including relevant rules and regulations. Written procedures are also in place for the Directors to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances.

# Corporate Governance Report

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for the appointment of Directors and will take into consideration criteria such as expertise, experience, integrity and commitment of the candidates as recommended by the Nomination Committee when considering new Director appointments. The Company has a nomination policy and a set of procedures and the process and criteria for selecting candidates for directorship of the Company have been in place. In assessing the suitability of a proposed candidate, the Nomination Committee will consider a number of criteria, such as expertise, experience, educational background and integrity, having due regard to the board diversity policy of the Company. The Nomination Committee will review the curriculum vitae of the proposed candidate to assess whether the proposed candidate is qualified for the appointment before making recommendation to the Board for consideration.

All Directors appointed by the Board are subject to re-election at the first annual general meeting after their appointment. Every Director (including the non-executive Directors) is required to be re-elected at least once every three years at AGM pursuant to the Articles.

## BOARD DIVERSITY AND WORKFORCE DIVERSITY

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the effectiveness of the Board. Selection of candidates will be based on a range of diversity perspectives, including but were not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will continue to be made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Nomination Committee will monitor and review the implementation of the board diversity policy of the Company annually to ensure its continued effectiveness.

During the year ended 31 December 2025, and as at the date of this report, the female Director accounted for 16.7% of the Board (1 female out of 6 Directors). The Board targets to maintain at least the current level of female representation and will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Board would seek appropriate candidates to enhance gender diversity of the Board when considering the appointment of a new Director and ensure that an appropriate balance of gender diversity is achieved with reference to stakeholders' expectations and international and local recommended best practices, and in accordance with the Listing Rules. The Board and the Nomination Committee shall review the rotation plan of each of the Board members at least once annually for succession planning, and appoint a new Director based on the nomination policy of the Company.

The Company is committed to encouraging diversity within its workplace, including at the senior management level. To promote diversity and inclusion across the workforce, the Board has adopted the workforce diversity policy of the Company which emphasises providing equal opportunities across all aspects of employment, including recruitment, training and development, compensation, and career advancement and fostering an inclusive and respectful working environment. The Company has taken necessary steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally open to all eligible employees without discrimination. For the year ended 31 December 2025, the total workforce of the Group comprised 41.31% female and 58.69% male. The Company has achieved its measurable objective, which maintains a workforce with at least 35% female representation (including senior management). The Company recognises that certain challenges, such as industry-specific talent availability and regional factors, may pose difficulties. Nevertheless, it will continue to implement initiatives and targeted measures to enhance gender diversity at all levels.

Further details on the gender ratio in the workforce of the Group (excluding the senior management of the Company who are also the executive Directors), together with the relevant data are set out in the "Environmental, Social and Governance Report" on page 64.

# Corporate Governance Report

## NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years. Their terms of appointment shall be subject to the rotational retirement provision of the Articles.

## BOARD PERFORMANCE REVIEW

The Company has implemented regular evaluation of the performance and effectiveness of the Board. Each Director is invited to provide his/her views on the performance of the Board and any suggestions for improving the board process. The results of the evaluation are reviewed by the Nomination Committee and submitted to the Board.

Board performance review has been conducted for the year ended 31 December 2025. Based on the evaluation conducted, the Directors were satisfied with the performance of the Board and considered the Board continued to operate effectively.

## BOARD SKILLS MATRIX

The Board possesses a balance of skills, experience and diversity of perspectives among the Board members that are appropriate to the Group's business nature, corporate strategy and structure, contributing to the Board's effectiveness. The Board comprises a range of expertise as shown below:

Directors' Skills and Experience	Number of Directors	Share of the Board
Legal Knowledge	2	33.0%
Financial and Accounting/Risk Management	2	33.0%
Business Management	1	17.0%
Related Industry Knowledge/Experience	1	17.0%

## DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT TRAINING

Every Director is fully aware of his/her responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed Director would receive an induction package covering the Group's businesses, the statutory and regulatory obligations and duties of a director of a listed company. The newly appointed Directors must receive legal advice from an external lawyer of the Company as regards the requirements under the Listing Rules that are applicable to them as Directors and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

The Company continuously updates the Directors on the Group's businesses and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in a wide range of professional development courses and seminars/webinars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditor and/or law firms in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. All Directors provided the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant. During the year, the Directors participated in the following continuous professional development activities:

# Corporate Governance Report

## DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT TRAINING (continued)

Name	Number of hours						Total
	The roles, functions and responsibilities of the board, the board committees and the directors, and board effectiveness	The Company's obligations and directors' duties under Cayman Islands law, Hong Kong law and the Listing Rules, and key legal and regulatory developments	Corporate governance and ESG matters	Risk management and internal controls	Updates on industry-specific developments, business trends and strategies relevant to the Company	Financial reporting/taxation or other professional skills	
<b>Executive Directors</b>							
Tsui Ho Chuen, Philip	1▲	1▲	1▲	1.5▲	10▲	1.5▲	16
Li Guangzhong	1▲	1▲	1▲	1.5▲	10▲	1.5▲	16
<b>Non-executive Directors</b>							
Chong Chi Kwan	1◆	3●	1●	1.5◆	5▲	7◆	18.50
Mak Chi Wah	1▲	1▲	1▲	3.5▲	10▲	1.5▲	39.25
	1.25◆		1.75◆		1.63◆	16.62◆	
<b>Independent Non-executive Directors</b>							
Chua Joo Bin	1●	1▲	2.5●	3.5▲	1●	1.5▲	40
	1▲	1.75◆	1▲		10▲	10.5◆	
	0.75◆		4.5◆				
Xia Jun	1▲	1▲	1▲	3.5▲	10▲	1.5▲	18
Meng Jinxia	1▲	1▲	1▲	3.5▲	10▲	1.5▲	18

### Modes of Study:

- Self-study of guidance materials, newsletters, consultation papers, regulators' reports, press releases or e-learning materials of the Stock Exchange
- ▲ Internal training e.g. in-house business briefings and regulatory updates
- ◆ External training e.g. seminars, workshops, lectures and conferences by professional bodies or trainers and giving talks

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee with defined terms of reference (available on the website of the Company at [www.cpmgroup.com.hk](http://www.cpmgroup.com.hk) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk)), which are of no less exacting terms than those as set out in the code provisions of the CG Code.

### Audit Committee

During the year, the Audit Committee consisted of three independent non-executive Directors and one non-executive Director (the majority of whom are independent): Mr. Chua Joo Bin (AC Chairman), Mr. Chong Chi Kwan (ceased to be an AC member on 6 June 2025), Mr. Xia Jun, Ms. Meng Jinxia (appointed on 6 June 2025) and Mr. Mak Chi Wah (appointed on 13 June 2025).

The Audit Committee met twice during the year to review with the Company's external auditors the reporting of financial and other information to the Shareholders (including the 2024 annual results and the 2025 interim results before recommending them to the Board for approval), the accounting policies and practices adopted by the Group, the effectiveness and objectivity of the audit process, the effectiveness of the risk management and internal control systems of the Group, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions as well as those relating to the Group's environmental, social and governance performance and reporting. The Audit Committee resolved by resolutions in writing to approve (i) the fee, terms and conditions of engaging the external auditors of the Company to audit and report on the financial statements of the Group for the year ended 31 December 2024; (ii) the scope and extent of the agreed-upon procedures engagement with respect to the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2025; and (iii) the recommendations to the Board on the change of auditor and dealing with related matters. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of external auditors. The Audit Committee also keeps under review the independence and objectivity of the Company's external auditors and the non-audit services provided by the Company's external auditors to the Group. The attendance record of each committee member is set out below:

Directors	Number of committee meetings attended/held
Chua Joo Bin ( <i>AC Chairman</i> )	2/2
Chong Chi Kwan ( <i>ceased to be an AC member on 6 June 2025</i> )	1/1
Xia Jun	2/2
Meng Jinxia ( <i>appointed on 6 June 2025</i> )	1/1
Mak Chi Wah ( <i>appointed on 13 June 2025</i> )	1/1

### Remuneration Committee

During the year, the Remuneration Committee comprised two independent non-executive Directors and one non-executive Director: Mr. Xia Jun (RC Chairman), Mr. Chong Chi Kwan (ceased to be a RC member on 6 June 2025), Mr. Chua Joo Bin and Mr. Mak Chi Wah (appointed on 6 June 2025).

# Corporate Governance Report

## BOARD COMMITTEES (continued)

### Remuneration Committee (continued)

The primary objectives and duties of the Remuneration Committee are set out in its terms of reference adopted in compliance with the requirements under the CG Code, which include, inter alia, making recommendations to the Board on the remuneration policy and structure for all the Directors and the senior management of the Company and on the establishment of a set of formal and transparent procedures for developing its remuneration policy and reviewing and approving matters related to share option schemes. The remuneration of the executive Directors is determined by the Remuneration Committee and the remuneration of the non-executive Directors is determined by the Board on the recommendation of the Remuneration Committee, by reference to their duties and responsibilities, performance, experiences, time commitment, market conditions and the corporate goals and objectives as set by the Board. No Director is involved in deciding his/her own remuneration. Senior management of the Company comprises all the executive Directors only. Details of their remuneration are set out in note 9 to the consolidated financial statements. During the year, the Remuneration Committee held one meeting to review and approve the remuneration policy and the remuneration packages of the Directors. The Remuneration Committee resolved by resolutions in writing to make recommendation to the Board in relation to (i) the renewal of letter of appointment for Ms. Meng Jinxia and (ii) the terms (in particular, the director's fee) of the letter of appointment of Mr. Mak Chi Wah for his re-designation as a non-executive Director. The attendance record of each committee member is set out below:

<b>Directors</b>	<b>Number of committee meeting attended/held</b>
Xia Jun ( <i>RC Chairman</i> )	1/1
Chong Chi Kwan ( <i>ceased to be a RC member on 6 June 2025</i> )	1/1
Chua Joo Bin	1/1
Mak Chi Wah ( <i>appointed on 6 June 2025</i> )	N/A

### Nomination Committee

During the year, the Nomination Committee comprised three independent non-executive Directors: Mr. Xia Jun (NC Chairman), Mr. Tsui Ho Chuen, Philip (*ceased to be a NC member on 6 June 2025*), Mr. Chua Joo Bin and Ms. Meng Jinxia (*appointed on 6 June 2025*).

The Nomination Committee met once during the year to review the structure, size, composition and diversity of the Board, and assess the independence of independent non-executive Directors, to recommend the re-election of retiring Directors, and to review the board diversity policy, the nomination policy, the policy on independence of Directors and the workforce diversity policy of the Company. The Nomination Committee resolved by resolutions in writing to make recommendations to the Board on the re-designation of Mr. Mak Chi Wah from an executive Director to a non-executive Director and re-appointment of Ms. Meng Jinxia as an independent non-executive Director, having reviewed the qualifications, experience and skills of Mr. Mak Chi Wah and Ms. Meng Jinxia and the structure, size, composition and diversity of the Board. The attendance record of each committee member is set out below:

<b>Directors</b>	<b>Number of committee meeting attended/held</b>
Xia Jun ( <i>NC Chairman</i> )	1/1
Tsui Ho Chuen, Philip ( <i>ceased to be a NC member on 6 June 2025</i> )	1/1
Chua Joo Bin	1/1
Meng Jinxia ( <i>appointed on 6 June 2025</i> )	N/A

# Corporate Governance Report

## **BOARD COMMITTEES** (continued)

### **Nomination Committee** (continued)

Pursuant to the new code provisions of the CG Code effective from 1 July 2025, the Nomination Committee now has specific additional duties, which include assisting the Board in maintaining a Board skills matrix, reviewing and assessing regularly the time commitment and contribution to the Board by each Director as well as the ability of a Director to discharge his or her responsibilities and supporting the regular evaluation of the performance of the Board.

The Company requests the Directors to disclose annually to the Company the number and nature of offices held in public companies or organisations, as well as other significant commitments with an indication of the time involved. All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group during the year ended 31 December 2025.

The Nomination Committee has conducted an ongoing assessment of each Director's time commitment and contributions to the Board, considering their professional qualifications, previous directorships, external commitments, and relevant personal attributes such as character, integrity, independence, and experience. This ensures that each Director is able to effectively fulfill their responsibilities and support the Board.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems of the Group and reviewing the effectiveness of such systems. The risk management and internal control systems are designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The systems can only provide reasonable and not absolute assurance against material misstatement or loss as it is designed to manage, rather than eliminate the risk of failure, to achieve business objectives.

For long-term growth and sustainability, effective risk management is a fundamental part of the Group's business strategy. The Board is responsible for managing risks which initially lies with the business functions concerned, working within the overall strategy and establishing risk tolerance. Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. In addition, the Board has conducted a half-yearly review of the effectiveness of the Group's risk management and internal control systems during the year with a view to enhancing its risk management and internal control systems and considered them effective and adequate.

The principal risks and uncertainties faced by the Group are set out in the section headed "Principal Risks and Uncertainties" under the "Management Discussion and Analysis".

A discussion of the policies on the financial risk management of financial risk which the Group is facing is included in note 39 to the consolidated financial statements.

# Corporate Governance Report

## INTERNAL AUDIT

Internal control system shall allow monitoring of the Company's overall financial position, safeguard its assets against major losses and misappropriation, provide reasonable assurance against material fraud and errors, and monitor and correct non-compliance efficiently.

Through the Company's outsourced internal auditors, the Board has conducted a review of the effectiveness of the internal control system of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions.

During the year, the Company appointed the outsourced internal auditors. The outsourced internal auditors of the Company review the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis and aim to cover all major operations of the Group on a rotational basis. The outsourced internal auditors of the Company present their internal audit plan annually to the Managing Director for approval.

The Board confirmed that the internal control system is effective. The Risk Management and Internal Control Report is received by the Board to confirm that the system is effective and there are no significant areas of concern. There are no changes to the system that were implemented over the year.

## POLICY ON DISCLOSURE OF INSIDE INFORMATION

The Company has a policy on disclosure of inside information which sets out the system in place for monitoring the developments of the Group's business so that potential inside information can be escalated to the Board so as to decide whether an announcement in relation to such inside information is to be made, in order to comply with the Listing Rules and the SFO.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties with defined terms of reference as follows: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year and up to the date of the report, the Board has performed the corporate governance functions of the Group in accordance with its terms of reference.

## CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. After specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2025.

The Company also adopted a code on no less exacting terms than the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of inside information in relation to the Company or its securities.

# Corporate Governance Report

## EXTERNAL AUDITORS' REMUNERATION AND RELATED MATTERS

In 2025, the remuneration of the Company's external auditors, ZHONGHUI ANDA CPA Limited and Ernst & Young (the predecessor auditor of the Company), is set out below:

Services rendered to the Group	Remuneration HK\$
ZHONGHUI ANDA CPA Limited	
– Audit services	1,680,000
– Non-audit services	42,500
Ernst & Young	
– Non-audit services	240,000
	<hr/>
	1,962,500
	<hr/> <hr/>

The non-audit services rendered by the Company's external auditors to the Group included performance of agreed-upon procedures on the Group's 2025 unaudited interim financial information, and a review of the preliminary results announcement for the year ended 31 December 2025, the audit examination of the statement on details of contribution of the Group's occupational retirement schemes and performance of a review on continuing connected transactions for the year ended 31 December 2025.

## RESPONSIBILITY STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing the consolidated financial statements for the year ended 31 December 2025, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis.

The statement by the Company's external auditors about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 90 to 93.

## COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain a high level of transparency in communicating with the Shareholders and has adopted a shareholders' communication policy to ensure that Shareholders and the investment community are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. Information in relation to the Group is disseminated to the Shareholders and the investment community in a timely manner through a number of communication channels, including interim and annual reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and the corporate communications and other corporate publications on the website of the Company. For efficient communication with Shareholders and in the interest of environmental protection, arrangements are made to allow Shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website.

The Board has conducted a review of the implementation and effectiveness of the shareholders' communication policy during the year to consider the different channels of communication with Shareholders and considered that the policy has been properly implemented and is appropriate.

# Corporate Governance Report

## **COMMUNICATION WITH SHAREHOLDERS** (continued)

The 2025 AGM provided an opportunity for communication between the Shareholders and the Board, at which the Chairman and the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee had attended to answer questions from the Shareholders. Details of the procedures for conducting a poll were explained at the commencement of the meeting. In accordance with the Listing Rules, the votes of Shareholders at the meeting were taken by poll and the poll results were published on the websites of each of the Company and Hong Kong Exchanges and Clearing Limited after the meeting. A separate resolution was proposed at the meeting on each substantial issue, including the re-election of Directors.

## **DIVIDEND POLICY**

The Company has adopted a dividend policy which sets out various factors to be taken into account when considering declaration and payment of dividend. The factors included, but not limited to, the Group's financial performance, capacity from current and future operations, working capital requirements and general economic conditions. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy and will continually review the dividend policy from time to time.

## **SHAREHOLDERS' RIGHTS**

### **Convening an extraordinary general meeting**

Pursuant to article 58 of the Articles, an extraordinary general meeting may be convened by the Board upon requisition by any Shareholder(s) holding not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. The Board shall arrange to hold such a general meeting within two months after the deposit of such a written requisition. If within twenty-one days of the deposit of such written requisition, the Board fails to proceed to convene such extraordinary general meeting, the Shareholder(s) may do so in the same manner, and all reasonable expenses incurred by the Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Shareholder(s) by the Company.

### **Putting forward proposals at a general meeting**

Pursuant to article 85 of the Articles, if a Shareholder wishes to propose a person for election as a Director, unless the person proposed to be elected as a Director is a Director retiring at the general meeting or is recommended by the Board for election, a Shareholder shall submit: (i) a notice in writing which has stated the full name of that person for election as a Director signed by a Shareholder duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose that person for election at the general meeting as a Director; (ii) a notice in writing signed by that person of his/her willingness to be elected as a Director and a written consent to the publication of his/her personal data and; (iii) a notice in writing signed by that person of his/her willingness to be elected as a Director, together with that person's biographical details to be disclosed as required under 13.51(2) of the Listing Rules to the principal office of the Company in Hong Kong at 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong for the attention of the Company Secretary within the following prescribed period.

The period for lodgement of the notices referred to above will commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

# Corporate Governance Report

## **SHAREHOLDERS' RIGHTS** (continued)

### **Making enquiries to the Board**

Shareholders may send their enquiries to the Board in writing for the attention of the Company Secretary to the Company's principal place of business in Hong Kong at 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong or by fax at (852) 2792 7341.

## **CONSTITUTIONAL DOCUMENTS**

There was no change in the constitutional documents of the Company during the year.

On behalf of the Board

**CPM Group Limited**

**Tsui Ho Chuen, Philip**

*Chairman and Managing Director*

Hong Kong, 27 March 2026

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

### Overview

The Board is pleased to present the environmental, social and governance (“ESG”) report (the “ESG Report”) of the Company for the year ended 31 December 2025 (the “Reporting Period”). The ESG Report outlines the policies, sustainability strategies, management approaches and initiatives implemented by the Group and the performance of the Group in environmental and social aspects of its business.

### Reporting Scope

The ESG Report covers the businesses in the manufacture and sale of paint and coating products of the Group in Mainland China and Hong Kong. Some subsidiaries of the Group are not covered in the ESG Report because their impacts on the revenue and ESG performance are not significant. During the Reporting Period, there were no significant changes to the scope of reporting.

### Reporting Basis

The ESG Report discloses the required information under the “comply or explain” provisions of the Environmental, Social and Governance Reporting Code as set out in Appendix C2 to the Listing Rules. The relevant provisions and details are set out at the end of the ESG Report.

### Reporting Principles

The Group adheres to the following reporting principles as the basis for the preparation of the ESG Report.

#### 1. Materiality

The threshold at which ESG issues determined by the Board are sufficiently important to investors and other stakeholders of the Group that they should be reported, the details of which are set out in the sections headed “Stakeholders’ Engagement” and “Materiality Assessment” below. Information about climate-related risks and opportunities that could reasonably be expected to affect the cash flows, access to finance or the cost of capital over the short, medium or long term of the Group is disclosed.

#### 2. Quantitative

The quantified environmental and social key performance indicators (“KPI(s)”) are disclosed in the ESG Report to give stakeholders of the Group a comprehensive picture of the Group’s ESG performance. The information is accompanied by a narrative, explaining its purposes and impacts.

#### 3. Balance

Every effort has been made in the ESG Report to reflect the performance of the Group’s ESG activities impartially and avoid selection, omission or presentation format that might inappropriately influence the decision or judgment of the readers of the ESG Report.

#### 4. Consistency

As far as is reasonably practicable, the Group has used consistent methodologies to allow for meaningful comparisons of ESG data over time.

# Environmental, Social and Governance Report

## MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### The Board Statement

The Board takes overall responsibility for ESG-related (including climate-related) matters and integrates such matters into the management approaches and strategies of the Group. It guides the management and monitors ESG-related (including climate-related) matters that have been identified as relevant to the Group, and reviews the progress made against ESG-related (including climate-related) goals and targets. For the disclosures about the supervision of the Board over ESG-related (including climate-related) matters, the ESG-related (including climate-related) management policies and strategies and the review progress of the Board made against ESG-related (including climate-related) goals and targets and their relationship with the business of the Group, please refer to other disclosures in the section headed "Management of Environmental, Social and Governance", which form part of the Board statement.

### Report of Chairman

The Group is committed to corporate social responsibility and balancing environmental, social and economic benefits. It also aims to balance its business development with the interests of its key stakeholders and operates its business in a sustainable manner. To achieve this vision, the Group has set a sustainability framework that focuses on environmental protection, resource management, employees and community well-being and guides its sustainability efforts to ensure that sustainability elements are integrated into every business process and all business decisions.

Global warming is a major concern of governments worldwide. The Chinese government has developed more rigorous environmental laws and regulations. The Group takes the environmental protection policy of the Chinese government as the development blueprint, aligns with the strategy of safe, harmonious, green development and clean production, instills the concept of environmental management into the core of its operating activities, and at the same time pays attention to and loves nature, and makes joint efforts with employees to build an environmental-friendly and resource-saving enterprise.

During the Reporting Period, heightened economic uncertainties in the globe and Mainland China have led to increased market volatility. In addition, the pace of economic recovery was slower than expected, posing challenges to the business of the Group. In response to these challenges, the Group continues to take proactive measures, including strengthening its review process on ESG-related (including climate-related) risks and opportunities, adapting to changes caused by the external environment and continuing to promote measures to revitalise the business of the Group. Aside from this, the Group remains attentive to employee remuneration and benefits, career development opportunities, and provides a safe working environment for employees, while maintaining its initial aim of embracing corporate social responsibility, actively participates in public welfare undertakings, continues to allocate resources to optimise various emission treatment facilities, adjusts the product structure and manufactures more environmental-friendly products to contribute positively to the global climate change. At the same time, the Group continues to assess climate risks and study various adaptation methods to help coping with potential challenges. By doing these, we can seize opportunities in the face of crises during difficult time.

To achieve this vision, the Board has set a number of environmental and social KPIs and adopted top-down approach to disintegrate the KPIs into the functional departments. The Board not only improved the well-being of the employees but also urged the employees to make positive changes in different areas, such as reducing greenhouse gas emissions and making good use of resources. During the Reporting Period, the Group has made achievements by actively supporting the sustainable development strategies and objectives of the Group from the management team and all employees. The relevant scope, progress and achievements relating to the environmental and social KPIs are disclosed in the ESG Report.

The Group always aspires to be a respectable enterprise and hopes that its professional management team can continue to commit to stable operations and prudent financial management policies, meet the challenges head-on with success, implement sustainable development strategies, improve business performance and create more meaningful long-term value for the enterprise and its stakeholders.

# Environmental, Social and Governance Report

## MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

### Governance Structure

The Board believes that sound ESG strategies can create investment value for the Group and deliver long-term returns to its stakeholders. The establishment of an appropriate governance framework is critical to the successful implementation of the ESG sustainability strategies of the Group. Therefore, the Group sets up the ESG governance structure with clear duties and responsibilities. The Board sets long-term policies and strategies for all sustainability matters, reviews the implementation status and progress of ESG work annually and reports on its performance. The Board also identifies, reviews and evaluates the corporate responsibility, sustainability and climate-related risks and opportunities during internal meetings on a regular basis. The management team set the ESG-related (including climate-related) performance target to assist the Board in evaluating the effectiveness of the ESG (including climate) strategy and measures on an annual basis and assessing and determining whether the Company has established an appropriate and effective internal control system to contain the ESG-related (including climate-related) risks and opportunities. The Directors read climate-related training materials on their own to ensure they keep up with the latest trends of climate-related risks and opportunities and have the necessary expertise and skills to oversee the management of ESG-related (including climate-related) issues. At the operational level, functional units are responsible for ensuring the integration of sustainability (including climate) strategies and practices into the business operations of the Group and exploring new action plans or initiatives.

<p><b>The Board</b></p>	<p>Board members are responsible for:</p> <ul style="list-style-type: none"> <li>■ Developing long-term sustainable development policies and strategies</li> <li>■ Assessing and identifying the ESG-related (including climate-related) risks and opportunities</li> <li>■ Ensuring appropriate and effective ESG-related (including climate-related) risk management and internal monitoring systems</li> <li>■ Reviewing and approving policies, objectives and action plans or measures related to ESG (including climate)</li> <li>■ Approving the ESG Report</li> </ul>
<p><b>Management Team</b></p>	<p>The management team is responsible for:</p> <ul style="list-style-type: none"> <li>■ Developing and reviewing the ESG-related (including climate-related) policies, objectives and action plans or measures</li> <li>■ Monitoring and reporting to the Board on the progress and quality of implementation of the ESG (including climate) action plans or measures</li> <li>■ Identifying the ESG-related (including climate-related) risks and opportunities</li> <li>■ Reviewing the ESG Report</li> </ul>
<p><b>Functional Departments</b></p>	<p>The functional departments are responsible for:</p> <ul style="list-style-type: none"> <li>■ Identifying, assessing, defining and reporting to management on significant ESG-related (including climate-related) issues</li> <li>■ Performing the ESG (including climate) risk management and internal monitoring</li> <li>■ Ensuring ESG (including climate) policies, objectives and action plans or measures are integrated into business operations</li> <li>■ Reporting to management on progress and quality of action plans or measures</li> </ul>

The Board has appointed an independent consultant to provide advice on the ESG-related (including climate-related) matters, assist in collecting data and information for conducting various analyses and providing improvement recommendations on the ESG-related (including climate-related) performance. The Group has also collected the views of key stakeholders on the ESG-related (including climate-related) matters during daily operations and conducted a materiality assessment to identify important ESG-related (including climate-related) issues for the Group, details of which are disclosed in the sections headed “Stakeholders’ Engagement” and “Materiality Assessment” below. To effectively lead the ESG-related (including climate-related) process of the Group, the Board monitors the work of all departments to ensure that they work closely together to achieve the sustainable development goals of operational compliance and social responsibility.

# Environmental, Social and Governance Report

## MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

### Stakeholders' Engagement

The Board recognises that the views of stakeholders are vital to the sustainability of the business and strives to establish a platform for communication between the Group and its key stakeholders to ensure a smooth flow of information. The Group controls and manages the related parties that can affect the operation and management systems of the Group through the established Procedures for Control of the Stakeholders' Needs and Expectations and maintains a close tie with its stakeholders, including government/regulatory organisations, shareholders/investors, employees, customers, suppliers and community by using multiple channels and strives to balance their opinions and interests and understands their needs and expectations through constructive communications in order to determine the directions of its sustainable development. The Group assesses and determines its ESG-related (including climate-related) risks to ensure that the relevant risk management and internal control systems are operating properly and effectively. The following table shows the means of communication with the stakeholders and the management response to the stakeholders' expectations and requests:

Stakeholders	Expectations and requests	Means of communication	Management response
Government/ regulatory organisations	<ul style="list-style-type: none"> <li>➢ Compliance with the applicable laws and regulations</li> <li>➢ Fulfill tax obligation</li> <li>➢ Green operation</li> </ul>	<ul style="list-style-type: none"> <li>➢ Periodic reports or announcements</li> <li>➢ Communicate regularly with regulatory agencies</li> <li>➢ Handle official business through government affairs website or application</li> </ul>	<ul style="list-style-type: none"> <li>➢ Uphold integrity and operational compliance</li> <li>➢ Pay tax on time and make contribution to society</li> <li>➢ Establish comprehensive and effective internal control and environmental management systems</li> <li>➢ Fully implement safety production responsibility system</li> <li>➢ Actively implement various clean production measures</li> </ul>
Shareholders/ investors	<ul style="list-style-type: none"> <li>➢ Return on investment</li> <li>➢ Information transparency</li> <li>➢ Corporate governance system</li> <li>➢ Operational risk management</li> </ul>	<ul style="list-style-type: none"> <li>➢ Information disclosed on the official websites of the Stock Exchange and the Company</li> <li>➢ Website and WeChat official account of the Company</li> <li>➢ General meeting</li> <li>➢ Investor meeting or production plants visit</li> </ul>	<ul style="list-style-type: none"> <li>➢ Management possesses relevant experience and professional knowledge in business sustainability</li> <li>➢ Regular information dissemination by publications on the official websites of the Stock Exchange and the Company</li> <li>➢ Dedicate to improvement in internal control and focus on risk management</li> <li>➢ Effectively exchange opinions with investors through various communication channels</li> </ul>

# Environmental, Social and Governance Report

## MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

### Stakeholders' Engagement (continued)

Stakeholders	Expectations and requests	Means of communication	Management response
Employees	<ul style="list-style-type: none"> <li>➤ Labour rights</li> <li>➤ Career development</li> <li>➤ Compensation and welfare</li> <li>➤ Health and workplace safety</li> </ul>	<ul style="list-style-type: none"> <li>➤ Employee performance evaluation</li> <li>➤ Induction and on-the-job training</li> <li>➤ Employee satisfaction survey</li> <li>➤ Internal meetings and announcements</li> <li>➤ Communication through emails, phone calls and communication applications</li> </ul>	<ul style="list-style-type: none"> <li>➤ Set up contractual obligations to protect labour rights</li> <li>➤ Encourage employees to participate in continuous education and professional training to enhance competency</li> <li>➤ Establish a fair, reasonable and competitive remuneration scheme</li> <li>➤ Pay attention to occupational health and workplace safety</li> <li>➤ Regularly provide employees with physical examinations and conduct occupational disease hazard tests on key positions to identify the sources of various occupational hazards and develop an appropriate action plan as soon as possible</li> </ul>
Customers	<ul style="list-style-type: none"> <li>➤ High-quality and diversified products and customer services</li> <li>➤ Protect customer rights</li> <li>➤ Timely delivery</li> <li>➤ Reasonable price</li> </ul>	<ul style="list-style-type: none"> <li>➤ Business visit</li> <li>➤ Communication through emails, phone calls and communication applications</li> <li>➤ Customer service team</li> <li>➤ Customer satisfaction survey</li> <li>➤ Product promotion meeting</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improve the quality of products and services continuously in order to satisfy customers' requirements</li> <li>➤ Establish an effective, efficient and green supply chain system</li> <li>➤ Formulate comprehensive quality assurance process and recall procedures</li> <li>➤ Provide multiple channels for product anti-counterfeiting inquiries to combat counterfeit and inferior behaviours so as to protect consumer rights</li> <li>➤ Ensure the performance of contractual obligations</li> <li>➤ Establish and continuously improve the pre-sales, in-sales and after-sales services and customer training systems</li> </ul>

# Environmental, Social and Governance Report

## MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

### Stakeholders' Engagement (continued)

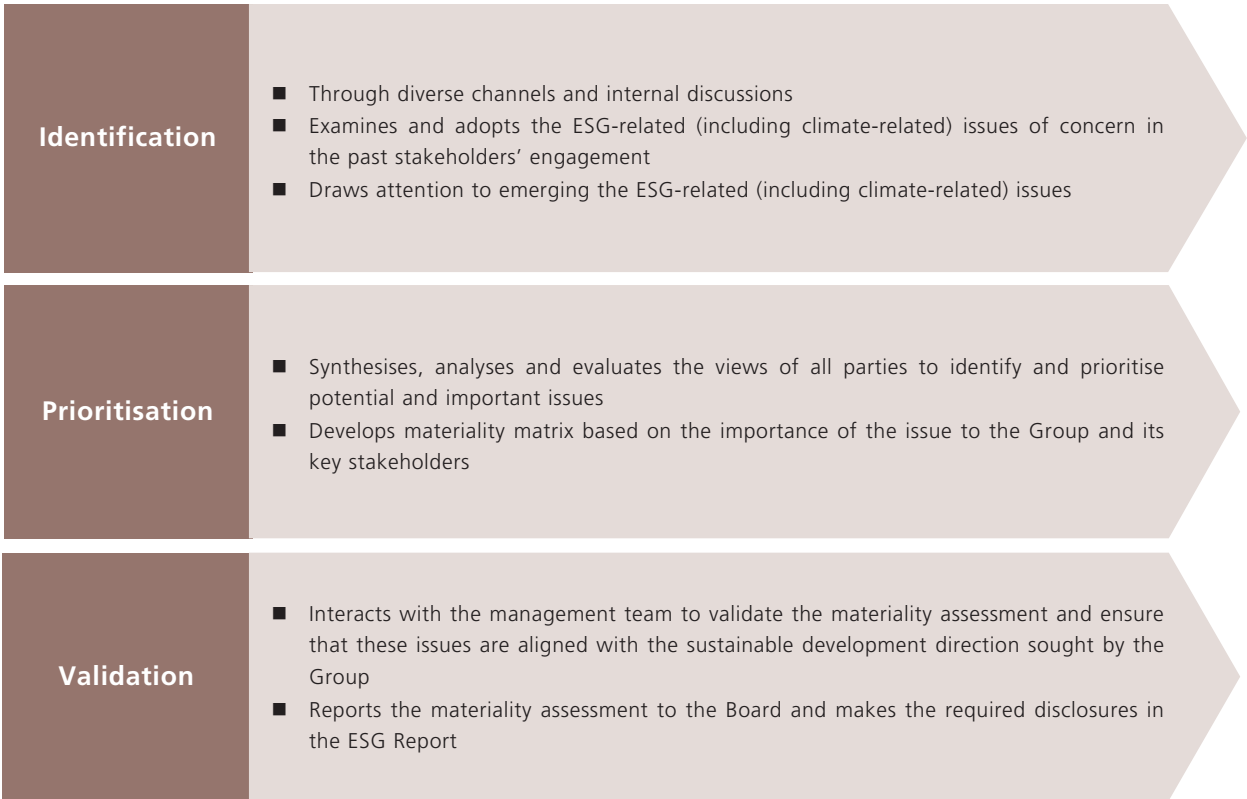
Stakeholders	Expectations and requests	Means of communication	Management response
Suppliers	<ul style="list-style-type: none"> <li>➢ Stable demand</li> <li>➢ Good relationship with the Company</li> <li>➢ Corporate reputation</li> </ul>	<ul style="list-style-type: none"> <li>➢ Business visit</li> <li>➢ Communication through emails, phone calls and communication applications</li> </ul>	<ul style="list-style-type: none"> <li>➢ Ensure the performance of contractual obligations</li> <li>➢ Establish policies and procedures regarding supply chain management</li> <li>➢ Establish and maintain long-term co-operation relationships with quality suppliers</li> <li>➢ Stringent selection of suppliers</li> </ul>
Community	<ul style="list-style-type: none"> <li>➢ Environmental protection</li> <li>➢ Reduce greenhouse gas emissions and waste generation</li> <li>➢ Effective resources utilisation</li> <li>➢ Community contribution</li> <li>➢ Economic development and community employment</li> </ul>	<ul style="list-style-type: none"> <li>➢ Use website and WeChat official account of the Company and information publicity website of government department to publish the information of the Company</li> <li>➢ Participate in community activities</li> </ul>	<ul style="list-style-type: none"> <li>➢ Pay attention to the problem of climate change and actively take various clean production measures</li> <li>➢ Continue to invest resources in environmental protection</li> <li>➢ Actively innovate environmental protection technology</li> <li>➢ Strengthen management in energy saving and emission reduction</li> <li>➢ Encourage employees to participate in charitable activities and voluntary services</li> <li>➢ Maintain good and stable financial performance and business growth</li> </ul>

# Environmental, Social and Governance Report

## MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

### Materiality Assessment

During the Reporting Period, the Group held discussions with the key management and conducted a materiality assessment through various channels to identify ESG-related (including climate-related) issues in which both the Group and its key stakeholders are interested and assessed the level of concern as viewed by them so as to select the relatively important ESG-related (including climate-related) issues. For the materiality assessment, the Group has adopted the following three processes:



# Environmental, Social and Governance Report

## MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

### Materiality Assessment (continued)

Materiality assessment helps the Group to ensure its business objectives and development direction are in line with the expectations and requirements of its stakeholders. The matters of concern of the Group and stakeholders are presented in the following materiality matrix:

		Materiality Matrix		
Importance to Stakeholders	<b>High</b>	<ul style="list-style-type: none"> <li>◆ Anti-discrimination</li> <li>◆ Protecting labour rights</li> </ul>	<ul style="list-style-type: none"> <li>◆ Talent management</li> <li>◆ Staff training and promotion opportunities</li> <li>◆ Staff compensation and welfare</li> </ul>	<ul style="list-style-type: none"> <li>➤ Customers' satisfaction level</li> <li>➤ Product quality and safety</li> <li>➤ Suppliers management</li> <li>◆ Occupational health and workplace safety</li> <li>◇ Application of clean production and green products</li> </ul>
	<b>Medium</b>	<ul style="list-style-type: none"> <li>➤ Community involvement</li> </ul>	<ul style="list-style-type: none"> <li>➤ Anti-corruption</li> <li>➤ Intellectual property rights</li> <li>◇ Air and greenhouse gas emissions</li> <li>◇ Use of resources</li> <li>◇ Climate change</li> </ul>	<ul style="list-style-type: none"> <li>➤ Operational compliance</li> <li>➤ Protecting customers' privacy</li> <li>➤ Product labelling</li> <li>◇ Air emissions</li> <li>◇ Sewage discharge</li> </ul>
	<b>Low</b>	<ul style="list-style-type: none"> <li>◆ Preventive measures for child and forced labour</li> </ul>	<ul style="list-style-type: none"> <li>◇ Use of water resources</li> <li>◇ Non-hazardous waste produced</li> </ul>	<ul style="list-style-type: none"> <li>◇ Use of raw materials</li> <li>◇ Hazardous waste produced</li> </ul>
		<b>Low</b>	<b>Medium</b>	<b>High</b>
		<b>Importance to the Group</b>		
		◇ Environmental	◆ Employee	➤ Operational

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION

### Emissions Management

The emissions generated during the production process of the Group are mainly from its production plants in Mainland China. The Group has formulated different emissions management measures in accordance with the local government policies and specific environmental conditions where each production plant is located. In order to align with the Environmental Protection Law of the People's Republic of China, Regulation of Guangdong Province on Environmental Protection and the related laws and regulations, the Group has established the Environment, Health and Safety (hereinafter referred to as the "EHS") management system which meets the global benchmarks, including the international standards GB/T 24001-2016/ ISO 14001:2015 Environmental Management System and GB/T 45001-2020/ ISO 45001:2018 Occupational Health and Safety Management System. The system has been implemented across the main production plants. In addition to compliance of the environmental and safety laws and regulations, the Group is committed to adhering to the relevant international conventions, industry standards and other requirements. Therefore, the Group has formulated the Procedures for Control of Management Review and Procedures for Control and Compliance Evaluation of the Laws and Regulations. Regular review of the EHS management system is performed under the aforesaid frameworks so as to ensure its compliance, effectiveness and sustainability. Besides, the Group conducts investigations on the non-compliance cases and promptly takes appropriate corrective measures to minimise the level of risk to the environment, employees' health and safety.

The Group has obtained a pollutant discharge permit for air emissions, sewage discharge and noise from the Chinese government. In addition to the accredited GB/T 24001-2016/ ISO 14001:2015 Environmental Management System Certification, the production plant of the Group in Xinfeng (the "Xinfeng Production Plant") and the production plant of the Group in Zhongshan (the "Zhongshan Production Plant") have established the safety and environmental protection department which is responsible for making decisions, supervising and co-ordinating various environmental initiatives and ensuring the systematic management of the environmental performance across the production plants. By following the guiding principle of the Group in environmental protection – "Focus on Prevention and Control" and in view of the risk management, the management and the safety and environmental protection department have worked together to prepare preventive plans and establish independent management systems, including EHS Manual, Prevention and Emergency Procedures for Air Pollution, Prevention and Emergency Procedures for Water Pollution, Sewage Treatment Operation Manual and Prevention and Emergency Procedures for Noise Pollution. These policies and frameworks establish clear operational directives to rigorously regulate the air emissions, sewage discharge and noise emission in order to ensure that the production processes are in compliance with the national and local environmental standards. Enhancing the environmental management system of the Group also enables the production plants to address emergencies or other environmental factors effectively so as to minimise the impacts on the Group's stakeholders. Besides, various departments of the Group initiated different energy conservation and consumption reduction activities and organised relevant training to enhance employees' knowledge, skills and awareness of environmental and occupational health and safety. The Group is continuously minimising the adverse effects of environmental factors and reducing environmental pollution so as to provide favourable conditions for simultaneous planning, implementation and development of production, environmental protection and employees, and at the same time, promoting economic growth and providing benefits to society and the environment. The Group also assigns representatives to participate in government-led trainings and conferences organised by government departments to understand the changes in environmental policies at various operating locations and thereby formulate responses promptly, pay close attention to environmental governance and prevent any pollution incidents or illegal emissions from happening.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

The challenges currently faced by the Group are primarily related to the control and management of volatile organic compounds (hereinafter referred to as “VOC”) and the disposal of industrial wastewater and hazardous wastes. As the Group always advocates clean production, it therefore focuses on the management and oversight of VOC, industrial wastewater and hazardous waste treatment. The Group has established a set of management policies and working guidelines to manage the whole product life cycle, which covers the selection of raw materials and auxiliary materials, the emissions reduction measures in the production process, the management of emissions and the usage of the Group’s products by consumers. In addition, the Group also implemented an environmental reward and penalty management system and established the Research and Development Project Reward System in accordance with the Scientific Progress Law of the People’s Republic of China. These initiatives encourage various departments to drive technological transformation and innovation and initiate innovative enhancements in production methods, the transformation of machine facilities or management methods, so as to reduce environmental pollution caused by exhaust air, wastewater and solid wastes. Besides, the Group continues to pay attention to the market and consumer needs, enhance product quality and diversification, and roll out eco-friendly products. Some of the offerings have obtained various environmental certifications in Mainland China and Hong Kong, aiming at reducing the adverse impact of the product on the environment.

#### 1. *Management of Air and Greenhouse Gas Emissions*

The increasingly stringent rectification policy on air pollution in Mainland China has notably impacted the operation of the Group. As such, the Group strictly adheres to the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution and other applicable laws and regulations. In order to improve the atmospheric environment, the Group prioritises source control and continuously optimises the energy structure of the Group, environmental protection facilities and air emissions management across production plants. Each production plant has applied for and obtained a valid pollutant discharge permit from the local environmental protection department in accordance with the local regulations. Besides, the Group also strictly follows the Measures for the Supervision and Administration of Vehicle Waste Gas Pollution to control and prevent excessive exhaust air generated by the vehicles, such as purchasing vehicles that are listed on the Eco-friendly Vehicle Catalogue, conducting regular maintenance on the vehicles and using environmentally-friendly fuels, etc., thereby protecting and improving the atmospheric environment.

Numerous trees are planted in the production plants and surrounding areas for greening in order to create a comfortable and healthy working environment for employees. The Group regularly engages professional environmental accreditation to conduct assessments on waste gas. By doing so, the Group can ensure that the air emissions management methods operate effectively and provide timely feedback to departments. It can also provide direction for future environmental plans to optimise the environmental management systems and facilities of each production plant.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

#### 1. *Management of Air and Greenhouse Gas Emissions* (continued)

Each department of the Group plays an important role in ensuring the industrial exhaust emissions of the Group are in compliance with the national standards by monitoring and co-ordinating each control point. The safety and environmental protection department is responsible for improving and monitoring the industrial waste gas treatment methods in production lines. The production department strictly follows the working guidelines of each production line to ensure that the exhaust air is processed by fans, spray towers, UV decomposers and activated carbon purification devices and the emission is lower than the limits as set out in the Integrated Emission Standard of Air Pollutants, Guangdong Province Emissions Limits of Air Pollutants and the other limits set by the respective regions and discharged it at the height of above 15 meters in compliance with the national discharge height standard. The production department configures dust removal facilities for dust-generating equipment to control the diffusion of dust. The staff in the production department strictly follow the operating procedures, including keeping the paint mixing tank cover tightly during the mixing and stirring process and strengthening the sealing of the material storage barrels in the production workshop to reduce the generation of waste gas and the volatilisation of organic waste gas. An appropriate amount of dust as raw material is added to the products with less strict requirements during the production process to reduce the generation of dust. Besides, the production department regularly checks the dust removal and air filtration systems to ensure they are functioning properly. The research and development centre has taken environmental protection into consideration when developing new products and technologies. The science and technology department is responsible for the introduction and detailed testing of new raw materials and auxiliary materials. The quality control department conducts tests on raw materials, auxiliary materials and finished products regularly. Besides, the above three departments work together to ensure the goods produced are of good quality and comply with RoHS<sup>1</sup> and REACH<sup>2</sup> standards. The engineering department is responsible for the operation and maintenance of the industrial exhaust air treatment facilities by complying with the Guidelines for Operation and Maintenance of VOC Treatment Facilities and regularly replacing the activated carbon based on its absorption characteristics to ensure that the production facilities are operating effectively so as to prevent environmental pollution. The warehouse department regularly inspects warehouses that store toxic, harmful, flammable, explosive, and volatile materials and takes appropriate measures, such as spraying cold water in summer to lower the temperature, checking the tightness of the warehouse vents and containers to ensure the stability of the warehouse environment and reducing the risk of leakage of any harmful substances to prevent environmental pollution incidents.

Notes:

- <sup>1</sup> RoHS is a directive issued by the European Union to restrict the use of certain identified hazardous substances in products. It restricts the concentration of four hazardous substances, namely lead, cadmium, mercury and hexavalent chromium and two flame retardants, namely polybrominated biphenyls and polybrominated diphenyl ethers, in products.
- <sup>2</sup> REACH is a standard established by the European Union to restrict the production and use of various chemicals so as to reduce the potential negative impact of those chemicals on human health and the environment.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

#### 1. *Management of Air and Greenhouse Gas Emissions* (continued)

Besides, the Group also pays attention to the management of unorganised emissions from production workshops and has implemented relevant control measures to prevent continuous emission of unorganised exhaust gas, which may adversely affect the environment and employees' health. For example, employees are required to cover the temporary storage buckets when the materials are not in use, strengthen the repair and maintenance of the gas-collection hoods in the materials feeding process, turn off the air compressor system after work to prevent overloading the system and impact on the normal operation of the ventilation equipment. Please refer to the sections headed "Conservation on Gasoline, Diesel and Refrigerant Consumption" and "Conservation on Electricity Consumption" below for the details of the greenhouse gas emissions data generated from the use of fuel and electricity by the Group.

The Group regularly engaged with companies with qualifications of local environmental protection certification to test the concentration and rate of pollutants in organised and unorganised waste gas in the production plant. The test mainly includes particulate matters, benzene series, non-methane total hydrocarbons and volatile organic compounds, etc. During the Reporting Period, all the tests conducted in each production plant met the requirements of the emission limits per the Emission Standard of Air Pollutants for Paint, Ink and Adhesive Industry.

At the beginning of the Reporting Period, the Group set a target to reduce the emission of waste gas and greenhouse gas by 15% when compared with the previous year. The Group has achieved the target set for the current year. Please refer to the sections headed "Conservation on Gasoline, Diesel and Refrigerant Consumption", "Conservation on Electricity Consumption" and "Summary of Environmental Data and Performance" below for the relevant data.

#### 2. *Management of Wastewater*

The Group has established a sewage discharge management system for production plants in accordance with the Water Pollution Prevention and Control Law of the People's Republic of China, Regulation on Urban Drainage and Sewage Treatment and other related laws and regulations, including the Waste Water Control Procedures and Procedures for Prevention of Water Pollution and Emergency Treatment for strictly restricting the wastewater generated in the production to undergo the harmless treatment before discharging and providing preventive and emergency measures to ensure that the sewage treatment facilities can be operated properly when an accident occurred. The Group's Regulations on Sewage Treatment Operation provides detailed descriptions of the operating procedures of wastewater treatment facilities at each production plant, the methods and frequency of water quality inspection and other codes of practice on safety. The operator is required to perform day-to-day management of the facility in accordance with the policies and procedures. Besides, in order to comply with the Administrative Measures for the Sewage Permits of Guangdong Province, the Group holds a valid wastewater discharge permit, pays sewage charges on time, establishes pollutant discharge records and disseminates major pollutant discharge information on the website of the Group and the discharge of the pollutant is monitored and inspected by the local environmental protection department.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

#### 2. *Management of Wastewater* (continued)

The wastewater generated by production plants is mainly domestic sewage and industrial sewage. The domestic sewage is discharged to the local sewage treatment plant directly through the main pipelines. Each sewage treatment plant has its own sewage treatment station, which comprises a conditioning tank, a chemical sedimentation tank, an anaerobic tank and a biological pool. The water-based paint sewage generated from production will be conditioned, precipitated and underwent chemical and biological treatment procedures and discharged when Guangdong Province Water Pollutant Discharge Limit and other discharge limits stipulated by respective operating locations are met. In order to prevent environmental pollution caused by sewage overflow from the conditioning tank or abnormal operation of the sewage treatment facilities, the Group has established different treatment methods to control the flow by referring to the water level. The Group has also set up an emergency pool for extra storage during large-scale production or the malfunctioning of the sewage treatment station. To ensure the proper functioning of the sewage treatment facilities, the Group pays close attention to the regular daily repairs and maintenance of these facilities.

The safety and environmental protection department of the Group is responsible for managing the industrial wastewater treatment, monitoring the progress of the sewage treatment process of the production plants, evaluating and analysing the environmental performance. An online automatic monitoring system has been set up in the production plants to monitor the total phosphorus, ammonia nitrogen, chemical oxygen demand, pH value and flow at the sewage discharge port. The Group also regularly conducts emergency drills for leakage in the pipeline network of the sewage treatment facilities so that employees can carry out relevant emergency treatment in a timely, effective and safe manner when an accident occurs to prevent secondary pollution to the environment and injury to employees from happening. The Group has engaged local environmental accredited companies to perform tests and measurements on the pH value, suspended substance, ammonia nitrogen, 5-day biochemical oxygen demand and chemical oxygen demand of wastewater at the sewage discharge port of each production plant according to the national technical specifications. The local Ministry of Ecology and Environment also performs unscheduled inspections on sewage about four times a year. During the Reporting Period, all the tests conducted by each production plant met the requirements of the emission limits and the Group has not received any notification of illegal treatment or discharge of wastewater. During the Reporting Period, road construction outside Zhongshan Production Plant required watering to prevent dust, thereby increasing water consumption. The headcount of employees and production level of Zhongshan Production Plant decreased, resulting in a decrease in the generation of domestic and industrial wastewater. For the above reasons, the non-hazardous wastewater of the Group decreased by approximately 1,923 tonnes when compared with the previous year, representing a decrease of approximately 26.07%, with a total of approximately 5,453 tonnes of non-hazardous wastewater generated.

The Group uses large or small tanks for productions, depending on the order volume. The amount of water required for cleaning the tanks after production varies depending on the cleaning method. Cleaning large tanks actually requires less water than cleaning small tanks. The decrease in the orders using large tanks was greater than the decrease in the orders using small tanks this year. Consequently, the decrease in water consumption for cleaning tanks and cleaning wastewater was less than the decrease in the production level. In addition, road construction outside Zhongshan Production Plant increased water consumption and non-hazardous wastewater as a result. Although the Group estimated that the emission intensity of non-hazardous wastewater would decrease by approximately 3% when compared with the previous year at the beginning of the Reporting Period, the emission intensity of non-hazardous wastewater was higher than the estimation due to the above reasons. Please refer to the table below and the section headed "Summary of Environmental Data and Performance" below for the relevant data.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

#### 2. Management of Wastewater (continued)

During the Reporting Period, the Group's data in non-hazardous wastewater discharged are as follows:

NON-HAZARDOUS WASTEWATER	2025 (Tonnes)	2024 (Tonnes)
Total	5,453.00	7,376.00
Intensity <sup>1</sup>	72.92	67.47

Note:

<sup>1</sup> The emission intensity is calculated in terms of the production per hundred tonnes.

#### 3. Management of Disposal of Solid Waste

The solid waste generated by the Group during its operations can be categorised into recyclable wastes, non-recyclable wastes and hazardous wastes. Recyclable waste primarily includes waste packaging materials, waste wood and metal scraps. Non-recyclable waste primarily includes water-based paint sludge, waste paper, rags and domestic waste. Hazardous waste primarily includes waste insulating oil, used activated charcoal, organic solvent waste, waste paint residue, waste paint barrels, waste batteries, waste lamps, waste chemicals containers, and other labour supplies and containers that are contaminated with hazardous substances. In order to comply with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Regulations on the Prevention and Control of Environmental Pollution by Solid Waste of Guangdong Province and relevant laws and regulations, the Group has formulated the Procedure for Control of Waste to manage and monitor the process of production, collection, storage and disposal of different types of solid waste. For the disposal of hazardous wastes, the Group has also established the Code of Prevention and Protection against Environmental Pollution from Hazardous Wastes to incorporate pollution prevention work into all levels of the production plant and set up a task force unit to make decisions, monitor and co-ordinate the work in the environmental protection aspect. The Group strictly follows the national direction of Focusing on Prevention, Integrating Management Controls in implementing different environmental protection and pollution prevention measures, developing emergency plans for environmental incidents and conducting regular accident drills. When a hazardous waste or compound leak incident occurs, employees must follow the established procedures to prevent the accident from spreading further so as to reduce the impact on the environment and report the relevant environmental incidents to the local environmental protection department. During the Reporting Period, no hazardous waste or compound leak incident occurred in any production plants of the Group. At the beginning of the Reporting Period, the Group estimated that the production intensity of hazardous and non-hazardous solid waste would decrease by approximately 5% when compared with the previous year. The targets set at the beginning of the Reporting Period have been achieved this year. For details, please refer to the table below and the section headed "Summary of Environmental Data and Performance" below.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

#### 3. **Management of Disposal of Solid Waste** (continued)

Due to the continuous increase in environmental protection awareness, the Group's focus on strengthening waste management has become the consensus of all industries. In addition to the implementation of different waste reduction measures from the source, the Group has also implemented a number of optimisation measures in terms of waste collection and disposal methods and employee education. The details of waste reduction measures for hazardous and non-hazardous solid waste are as follows:

- Continuously optimise the production plan for improving productivity and ensuring the product quality, and take into account the order of putting raw materials in the paint mixing tank, thereby reducing the frequency of cleaning the paint mixing tank for reducing waste paint residue and non-hazardous sludge generated from the production process;
- Strengthen the maintenance of environmental protection equipment to prevent unnecessary hazardous and non-hazardous solid waste generated from the abnormal operation of the equipment;
- Actively seek qualified recyclers or suppliers who possess the required recycling technology to recycle different wastes (such as iron-based packaging waste, paper-based packaging waste) generated from operations and production;
- In the pre-shift and daily routine meetings, continue to remind employees about the importance of environmental protection and instill different environmental protection knowledge in employees;
- Formulate operating procedures for different equipment, provide training to employees and strictly require employees to follow the established procedures to reduce waste;
- Set up waste classification and recycling bins in the production plants, and educate employees to pay attention to waste classification for increasing the waste recycling and reuse rate;
- Encourage employees to communicate internally in electronic form;
- Encourage employees to reuse paper or stationery as much as possible, such as single-sided paper, envelopes, folders, etc.; and
- Reduce the use of disposable consumables, including food packaging boxes, paper cups, paper plates, plastic bags, etc.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

#### 3. Management of Disposal of Solid Waste (continued)

##### *Hazardous Solid Waste*

The responsible departments of the Group categorise, label, store and dispose of the solid waste according to the requirements of the National Hazardous Waste List, Standard for Pollution Control on Hazardous Waste Storage and Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes. All hazardous solid waste must be recycled by contractors who hold a Hazardous Waste Operation Permit for dangerous wastes and must strictly follow the Measures for the Management of Hazardous Waste Transfer. Illegal disposal of hazardous waste is strictly prohibited.

The responsible departments and functional departments strictly follow the Regulations on the Safety Management of Dangerous Chemicals, Regulations on the Management of Transportation of Dangerous Goods, General Rules for the Storage of Commonly Used Dangerous Chemical, General Rules for the Classification of Chemicals and Hazard and relevant laws and regulations, as well as internal policies and procedures to purchase, use, transport and store hazardous substances (such as chemicals). The Group also takes necessary protective measures when handling hazardous chemicals, such as demanding the raw materials suppliers to comply with relevant laws and regulations by signing an agreement, explicitly stating the safety and environmental requirements on hazardous chemicals packing, transportation and discharge process. The Group has also installed a number of online surveillance cameras in dangerous goods warehouses to enable real-time spot checks by the local government departments and increased the frequency of warehouse inspections to prevent environmental pollution caused by leakage. The Group has established a Management Plan for Disposal of Chemical Waste to report all discarded hazardous chemicals to the environmental protection department and maintained a register recording the information about the discarded hazardous chemicals. The Group also registers the transfer of hazardous waste on the national solid waste management information platform. Approval from the environmental protection authorities is required prior to the disposal of hazardous waste so as to prevent the recyclers from illegal disposal of the wastes that would harm the environment. During the Reporting Period, the Group generated approximately 14.19 tonnes of hazardous solid waste, representing a decrease of approximately 9.78 tonnes or 40.80% when compared with the previous year. This was mainly due to the decrease in the production level of the Group.

During the Reporting Period, the Group's data on the production of hazardous solid waste are as follows:

HAZARDOUS SOLID WASTE	2025 (Tonnes)	2024 (Tonnes)
Total	14.19	23.97
Intensity <sup>1</sup>	0.19	0.22

Note:

<sup>1</sup> The production intensity is calculated in terms of the production per hundred tonnes.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

#### 3. Management of Disposal of Solid Waste (continued)

##### Non-Hazardous Solid Waste

The Group established different appropriate recycling and disposal methods based on the source of non-hazardous waste. The production department of the Group is responsible for sorting and transporting waste, such as utilisation packaging materials and cardboards at designated storage locations and engaging with local environmental accredited recyclers to handle the waste. The production department of the Group provides training to the staff of production workshops and conducts more inspections in daily work to reduce sludge generated during the production process. Besides, the Group recycles and reuses papers in the office in order to maximise the resource utilisation rate. For details, please refer to the section headed "Paper Conservation" below. The Group strictly complies with the Measures for the Management of Municipal Solid Waste and relevant laws and regulations to monitor, collect and dispose of domestic waste, to educate employees to reduce waste at the source, to enhance employee awareness in waste categorisation and to remind them how their behaviour will affect the environment. During the Reporting Period, the Group generated approximately 67.48 tonnes of non-hazardous solid waste, representing a decrease of approximately 27.44 tonnes. The decrease was approximately 28.91% when compared with the previous year. This is mainly due to the decrease in the production level of the Zhongshan Production Plant, resulting in decreasing the non-hazardous solid waste such as sludge and packaging materials generated.

During the Reporting Period, the Group's data in the production of non-hazardous solid waste are as follows:

NON-HAZARDOUS SOLID WASTE	2025 (Tonnes)	2024 (Tonnes)
Total	67.48	94.92
Intensity <sup>1</sup>	0.90	0.87

Note:

<sup>1</sup> The production intensity is calculated in terms of the production per hundred tonnes.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Emissions Management (continued)

#### 4. Management of Noise

The Group strictly complies with the Law of the People's Republic of China on Prevention of Noise Pollution, Regulations for the Prevention of Noise Pollution in the Shenzhen Special Economic Zone and relevant laws and regulations and established Procedures for Control of Noise and Procedures for Prevention of Noise and Emergency Treatment and strictly control and manage noise produced during the operation of the production facilities through restricting the production workshop location, the placement setting of production equipment and implementing vibration and noise reduction measures. The operators strictly follow the operation manual when using the production equipment and take appropriate sound treatment. The engineering department of the Group is responsible for the management, repair and maintenance of production facilities and generators to ensure that the noise level is within the national standards. The Group engaged local environmental accredited companies to conduct annual noise level assessments. During the Reporting Period, the test results of all production plants have met the emission limits as set in the Emission Standard for Industrial Enterprises Noise at Boundary.

During the Reporting Period, there was no violation or non-compliance incident in relation to environmental protection that had a significant impact on the Group.

#### Management of Use of Resources

In order to comply with the Law of the People's Republic of China on Energy Conservation, Water Law of the People's Republic of China and relevant laws, regulations and policies, the Group has established related internal policies and procedures at each production plant. The Group is committed to promoting the corporate culture of "saving resources" by constantly reminding employees to preserve precious resources and to avoid wastage. To ensure the staff understand the importance of resource conservation, the Group has implemented various measures to encourage the staff to build a habit of saving and make the best use of resources.

#### 1. Energy Conservation

##### *Conservation on Gasoline, Diesel and Refrigerant Consumption*

Gasoline and diesel are mainly consumed by the business vehicles of the Group and warehouse forklifts. The Group has formulated Measures for Management of Vehicles to manage the daily use of vehicles. The vehicle users are required to complete the Application Form for the Use of Vehicles and obtain prior approval before using the business vehicles. The Group encourages employees to use public transportation when travelling to locations with good public transportation networks. Besides, drivers must plan the routes before using vehicles and take the shortest route and the most efficient way to the destination in order to shorten the driving distance and reduce exhaust air emissions. Drivers have to check the vehicles before use so as to prevent any environmental and safety issues due to parts failure. The finance department of the Group checks and analyses the monthly fuel consumption, investigates abnormal fuel consumption cases and requests the vehicle users to explain any abnormal situation. During the Reporting Period, the Group consumed a total of approximately 27.58 tonnes of gasoline, representing a decrease of approximately 13.78 tonnes. The decrease was approximately 33.32% when compared with the previous year. This is mainly due to the decrease in the sale of six gasoline vehicles and the replacement of five gasoline vehicles with electric vehicles. The Group consumed a total of approximately 9.58 tonnes of diesel, representing a decrease of approximately 2.26 tonnes or 19.09% when compared with the previous year. This is mainly due to the decrease in the production level and the use of diesel for the electric generator.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Management of Use of Resources (continued)

#### 1. Energy Conservation (continued)

##### *Conservation on Gasoline, Diesel and Refrigerant Consumption (continued)*

At the beginning of the Reporting Period, the Group set targets to reduce the consumption of gasoline and diesel by 15% respectively when compared with the previous year. The Group has achieved this target and exceeded the estimation for the current year. The reasons are the sale of six petrol vehicles and the replacement of five petrol vehicles with electric vehicles as a result during the year. For details, please refer to the table below and the section headed "Summary of Environmental Data and Performance" below.

During the Reporting Period, the Group's direct use of energy and the Scope 1 greenhouse gas emissions generated by the Group are as follows:

	2025		2024	
	Consumption	CO <sub>2</sub> Equivalent Emissions (Tonnes)	Consumption	CO <sub>2</sub> Equivalent Emissions (Tonnes)
Gasoline	27.58 Tonnes	99.62	41.36 Tonnes	150.24
Diesel	9.58 Tonnes	29.83	11.84 Tonnes	36.88
Refrigerant	10.00 Kilograms	18.10	–	–
Group's Total Emission		147.55		187.12
Group's Emission Intensity <sup>1</sup>		1.97		1.71

Note:

<sup>1</sup> The emission intensity is measured in terms of the production per hundred tonnes.

##### *Conservation on Electricity Consumption*

In order to consistently implement the environmental protection policy of the Group, the Group has established the Procedures for Management of Water Resource and Electricity Consumption, strictly requiring all departments to use and save energy effectively. The administration and human resources department of the Group is responsible for implementing electricity conservation measures and providing training on the use of electricity. All new employees are required to participate in the induction training, which covers environmental protection facilities and equipment operation procedures, to ensure that each new employee has adequate knowledge in operating the environmental facilities and eliminating the chance of inappropriate use of the equipment so as to minimise unnecessary energy consumption. The production department of the Group optimises the production schedules to enhance the management of electricity consumption. The engineering department of the Group is responsible for setting annual electricity saving targets, recording and analysing electricity consumption data, and preparing timely remediation plans if abnormalities are identified.

Each department head is responsible for monitoring electricity consumption of their subordinates and enhancing their knowledge in resources conservation so as to control energy consumption and improve resource usage efficiency through daily management. In general, employees are suggested to turn off the lights when sunlight is sufficient, air conditioners are used according to seasonal and temperature change, turn off the air conditioners after work, close the doors and windows when air conditioners are turned on and switch off their own or their department's electrical appliances and computers after work.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Management of Use of Resources (continued)

#### 1. Energy Conservation (continued)

##### *Conservation on Electricity Consumption (continued)*

During the Reporting Period, the Group consumed a total of approximately 1,865.41 megawatt hours ("MWh") of electricity, representing a decrease of approximately 277.61 MWh. The decrease was approximately 12.95% when compared with the previous year. The decline is mainly due to the decrease in the production level and the headcount of employees of the Group.

At the beginning of the Reporting Period, the Group set a target to reduce the consumption intensity of electricity by 3% when compared with the previous year. Although the production level decreased, some production and environmental protection equipment needed to run continuously for 24 hours. Therefore, the consumption intensity of electricity is higher than the estimation. For details, please refer to the table below and the section headed "Summary of Environmental Data and Performance" below.

During the Reporting Period, the data relating to the Group's indirect use of energy and the Scope 2 greenhouse gas emissions generated by the Group are as follows:

	2025		2024	
	Consumption (MWh)	CO <sub>2</sub> Equivalent Emissions (Tonnes)	Consumption (MWh)	CO <sub>2</sub> Equivalent Emissions (Tonnes)
Electricity	1,865.41	1,004.14	2,143.02	1,309.98
Group's Total Emission		1,004.14		1,309.98
Group's Emission Intensity <sup>1</sup>		13.43		11.98

Note:

<sup>1</sup> The emission intensity is measured in terms of the production per hundred tonnes.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Management of Use of Resources (continued)

#### 2. Water Conservation

The Group uses the government-supplied water sources and did not encounter any problems in sourcing water during the Reporting Period. The Group has always paid attention to the use of water resources and implemented different measures to encourage its employees to make the best use of water resources and reduce wastage. In compliance with the Law of the People's Republic of China on Use of Water Resources, Regulations on Conservation of Use of Water in Urban Area and relevant laws and regulations, the Group has formulated Procedures for Management of Water Resource and Electricity Consumption to manage the water use efficiency across the production plants and provides trainings for the staff in the production department. The production department sets water efficiency as a performance indicator for its staff to encourage them to actively participate in water efficiency measures. Person-in-charge in each production department and office is required to check the water facilities, pipelines and taps, etc., regularly within their surrounding area to prevent the waste of water. The Group also aims to raise employees' awareness of water conservation by posting different water-saving tips at prominent positions. Once the damaged pipe, valve or water leakage is discovered, they shall notify the maintenance department promptly for repair. The engineering department also installed monitoring equipment at different water outlets to track the usage and make adjustments to the water outlets with high water consumption. During the Reporting Period, road construction outside the Zhongshan Production Plant required watering to prevent dust, thereby increasing water consumption. The headcount of employees and production level of the Zhongshan Production Plant decreased, resulting in a decrease in water consumption for both domestic and industrial use. For the above reasons, the water consumption of the Group decreased by approximately 5,117 cubic meters when compared with the previous year, representing a decrease of approximately 18.18%, with a total of approximately 23,025 cubic meters of water consumed.

The Group uses large or small tanks for production, depending on the order volume. The amount of water required for cleaning the tanks after production varies depending on the cleaning method. Cleaning large tanks actually requires less water than cleaning small tanks. The decrease in the orders using large tanks was greater than the decrease in the orders using small tanks this year. Consequently, the decrease in water consumption for cleaning tanks was slightly less than the decrease in the production level. In addition, road construction outside the Zhongshan Production Plant increased water consumption and non-hazardous wastewater as a result. Although the Group estimated that the emission intensity of non-hazardous wastewater would decrease by 3% when compared with the previous year at the beginning of the Reporting Period, the water consumption intensity was higher than the estimation due to the above reasons. Please refer to the table below and the section headed "Summary of Environmental Data and Performance" below for the relevant data.

During the Reporting Period, the Group's use of water resources is as follows:

WATER RESOURCES	2025 (Cubic Meters)	2024 (Cubic Meters)
Total	23,025.00	28,142.00
Intensity <sup>1</sup>	307.89	257.42

Note:

<sup>1</sup> The consumption intensity is measured in terms of the production per hundred tonnes.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Management of Use of Resources (continued)

#### 3. *Management of Use of Packaging Materials*

The packaging materials used by the Group are mainly painting cans, protective rings, cartons and stickers. The marketing department, production planning department and procurement department of the Group follow the Procedures for Control on Procurement to carry out the related procurement processes. The marketing department of the Group formulates product design plans based on the product characteristics of the Group, safety and environmental requirements and the national standards. The production planning department of the Group prepares the requisition form for raw materials procurement according to production needs. The purchasing department of the Group selects suitable suppliers from the approved vendor list according to the design plan and the raw materials requisition form. In order to enhance the warehouse management, the Group has established the Procedures for Control of Warehouse Management to regulate receipt, dispatch and storage of packaging materials and to carry out physical count and sample checks of the packaging materials regularly. The Group also inspects and conducts repairs and maintenance to the material warehouse periodically to ensure that the warehouse environment is suitable for storing packaging materials in order to maintain its quality and to increase the materials' durability. During the Reporting Period, the Group has consumed a total of approximately 759.70 tonnes of packaging materials, which has decreased by approximately 254.06 tonnes. The decrease was approximately 25.06% when compared with the previous year. The decline is mainly due to the decrease in the production level of the Group, thereby reducing the use of packaging materials.

#### 4. *Paper Conservation*

The Group actively promotes the Paperless Office policy and encourages employees to transmit the documents in electronic format and reduce photocopying and printing. Employees are also encouraged to set double-sided printing as default, verify the format of the document before copying or printing, fully utilise papers by reusing single-sided papers and store double-sided used papers in designated recycling bins until collected by qualified recyclers. The Company also follows the requirements of "Expansion of the paperless listing regime" of the Hong Kong Stock Exchange. The Company wants to try and do what it can by making its practice greener. In addition, due to a decrease in the production level and the headcount of the employees, the paper consumption during the Reporting Period decreased by approximately 0.69 tonnes. The decrease was approximately 22.12% when compared with the previous year, and a total of approximately 2.43 tonnes of paper were consumed.

# Environmental, Social and Governance Report

## **ENVIRONMENTAL PROTECTION** (continued)

### **The Environment and Natural Resources**

The Group is dedicated to safeguarding the environment, prompting the idea of “caring and protecting the environment is everyone’s responsibility” and uniting itself with everyone in building a better world. The Group has a team of dedicated and diligent employees. While setting up the sustainable development strategy, the active cooperation and feasible recommendations from employees accelerate the steps towards green management. The Group follows the Procedures for Identification, Evaluation and Control of Environmental Factors/Source of Danger to assess the impact on the environment from the new or altered processes and workflow in production and in the course of providing the services, makes reference to the most updated relevant laws and regulations, integrates the stakeholders’ expectations and requirements to monitor and enhance the environmental performance of each production plant continuously. In response to the Measures for the Disclosure of Environmental Information, the Group disclosed the environmental information of major production plants, including the company’s general information, sewage discharge information, construction progress and operation of pollution prevention facilities, wastewater online monitoring equipment status, environmental impact assessment of construction projects and other environmental protection administrative permits, emergency plans for environmental incidents, etc.

The Group is aware of the structural change to the industry and the increasing demand for product quality by consumers. The paint and coating manufacturing industry is expected to face increasing challenges in the future. As a responsible enterprise, the Group will establish management policies and measures to meet the national standards, continuously improve and transform its production facilities and processes, use clean energy and raw materials, and increase resource utilisation rate, so as to reduce pollutant generation during production. The Group aims to establish a path to green development that fits its business characteristics in the near future. This plan not only meets the stakeholders’ growing concern about environmental protection but also contributes to the protection of the environment as a whole.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Climate-related Risks

#### Governance

The governance process, controls and procedures the Group uses to monitor, manage and oversee climate-related risks and opportunities are described in the section headed “Governance Structure” of “Management of Environmental, Social and Governance” above.

#### Strategy and Risk Management

The Board went through the processes above to identify and prioritise climate-related risks, which are categorised into physical and transition risks:

#### Identification of climate-related risks

Types of risk	Reasons	Identified risks
<b>Physical risk</b>		
<b>Flooding</b>	<ul style="list-style-type: none"> <li>➤ During the rainy and typhoon seasons, the increased frequency of flooding may halt operations due to damage to property or equipment, and/or employees being unable to commute to work. This may result in an increase in the cost of operations and depreciation of equipment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased frequency of flooding</li> </ul>
<b>Frequency and severity of extreme weather</b>	<ul style="list-style-type: none"> <li>➤ The increase in frequency and severity of extreme weather may cause damage to property and equipment, resulting in an increase in the cost of operations as well as depreciation of equipment. Moreover, the increased severity of extreme weather events may also threaten the safety of employees working at the premises</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increase in the effect of exposure to extreme weather</li> <li>➤ Increase in direct losses from extreme weather</li> </ul>
<b>Heatwaves</b>	<ul style="list-style-type: none"> <li>➤ During periods of heatwaves, employees may not be able to work due to extreme hot weather, resulting in an increase in the cost of operations</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased frequency of heatwaves</li> </ul>
<b>Transition risk</b>		
<b>Policy and legal</b>	<ul style="list-style-type: none"> <li>➤ Governments may revise the related policies, laws and regulations to address climate change. Therefore, the Group may also need to adjust its internal policies and measures to comply with the relevant evolving laws and regulations, which may increase the cost of operations</li> </ul>	<ul style="list-style-type: none"> <li>➤ Mandatory regulations on climate change</li> <li>➤ Exposure to litigation</li> </ul>

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Climate-related Risks (continued)

#### Strategy and Risk Management (continued)

##### Prioritisation of climate-related risks

Risks	Time horizon	Level of impact	Likelihood	Adaptability	Recovery
Increased frequency of flooding	Short to medium-term	High	High	High	High
Increase in effect of exposure to extreme weather	Short to medium-term	High	High	High	High
Increase in the direct losses from extreme weather	Short to medium-term	High	High	High	High
Increased frequency of heatwaves	Short to medium-term	High	High	High	High
Mandatory regulations on climate change	Short to long-term	Low	Low	Low/Medium	Low
Exposure to litigation	Short to long-term	Low	Low	Low/Medium	Low

The Board assesses the impacts of material risks on the business of the Group and their relevance to specific business functions.

Business	Value Chain				
Manufacture and sale of paint and coating products business	Inbound logistics	Operation and production	Outbound logistics	Marketing and sales	Services
	Movement of raw materials and auxiliary materials from suppliers to the company	Conversion of raw materials and auxiliary materials into paint and coating products	Storage and movement of products to the customers	Market communication and sale of products	After-sales services

The Board has identified the value chain for all business functions and mapped it to the prioritised risks through the scoring of impacts and dependencies. Below are risks relating to the location of the functions:

Risks	Flooding	Frequency and severity of extreme weather	Heatwaves
Time horizon	Short to medium-term	Short to medium-term	Short to medium-term
Component of value chain	<ul style="list-style-type: none"> <li>➤ Inbound logistics</li> <li>➤ Operation and production</li> <li>➤ Outbound logistics</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inbound logistics</li> <li>➤ Operation and production</li> <li>➤ Outbound logistics</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inbound logistics</li> <li>➤ Operation and production</li> <li>➤ Outbound logistics</li> </ul>
Risk level	High	High	High
Trend	Increase	Constant	Increase

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION (continued)

### Climate-related Risks (continued)

#### Strategy and Risk Management (continued)

Impacts of dependencies, value loss and management approach of the Group of each identified risk are described below:

Risks	Impacts of dependencies	Value loss	Management approach
<b>Flooding</b>	<ul style="list-style-type: none"> <li>➤ During the rainy and typhoon seasons, the increased frequency of flooding may halt operations due to damage to property or equipment, and/or employees being unable to commute to work</li> </ul>	<ul style="list-style-type: none"> <li>➤ This may result in an increase in the cost of operations and depreciation of equipment</li> </ul>	<ul style="list-style-type: none"> <li>➤ To formulate disaster recovery plans to enhance resilience to natural disasters</li> <li>➤ To train employees on emergency procedures</li> <li>➤ To provide guidance for the rapid and smooth restoration of services</li> </ul>
<b>Frequency and severity of extreme weather</b>	<ul style="list-style-type: none"> <li>➤ The increase in frequency and severity of extreme weather may cause damage to property and equipment, resulting in an increase in the cost of operations as well as depreciation of equipment</li> <li>➤ The increased severity of extreme weather events may also threaten the safety of employees working at the premises</li> </ul>	<ul style="list-style-type: none"> <li>➤ This may result in an increase in the cost of operations and depreciation of equipment</li> </ul>	<ul style="list-style-type: none"> <li>➤ To formulate disaster recovery plans to enhance resilience to natural disasters</li> <li>➤ To train employees on emergency procedures</li> <li>➤ To provide guidance for the rapid and smooth restoration of services</li> </ul>
<b>Heatwaves</b>	<ul style="list-style-type: none"> <li>➤ During periods of heatwaves, employees may not be able to work due to extreme hot weather, resulting in an increase in the cost of operations</li> </ul>	<ul style="list-style-type: none"> <li>➤ This may result in an increase in the cost of operations</li> </ul>	<ul style="list-style-type: none"> <li>➤ To formulate disaster recovery plans to enhance resilience to natural disasters</li> <li>➤ To train employees on emergency procedures</li> <li>➤ To provide guidance for the rapid and smooth restoration of services</li> </ul>

### Metrics and Targets

The Group establishes the ESG governance structure. The Board sets long-term policies and strategies for all sustainability matters, reviews the implementation status and progress of ESG work annually. The management team set the ESG-related (including climate-related) targets to assist the Board in evaluating the effectiveness of the ESG strategy and measures on an annual basis and assessing and determining whether the Company has established an appropriate and effective internal control system to contain the ESG-related (including climate-related) risks and opportunities. At the operational level, each functional unit is responsible for ensuring the integration of sustainability (including climate-related) strategies and practices into the business operations of the Group. The climate-related targets include scope 1 and scope 2 greenhouse gas emissions, total greenhouse gas emissions and greenhouse gas emission intensities. The GHG emission data and targets set are shown in the section headed "Summary of Environmental Data and Performance".

# Environmental, Social and Governance Report

## EMPLOYMENT AND LABOUR PRACTICES

Employees are the most valuable assets of the Group. The Group adheres to the “fair, talent-oriented and virtuous” principle in its governance culture. A set of comprehensive talent management mechanisms has been established to attract and retain competent talents for sustainable development and inherit the mission of “developing industry for the nation, creating a colourful life”. The Group is devoted to creating a non-discriminatory, equal, harmonious and safe workplace and aims to build up a mutual respect relationship with its employees. The Group has strictly complied with the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Law of the People’s Republic of China on Protection of Minors, the Provisions on the Special Protection on Minor Workers, the Provisions on the Prohibition of Using Child Labour, the Law of the People’s Republic of China on the Protection of Women’s Rights and Interests, the Social Insurance Law of the People’s Republic of China, the Regulations on Work-Related Injury Insurances, the Trade Union Law of the People’s Republic of China, the Employment Promotion Law of the People’s Republic of China, the Labour Dispute Mediation and Arbitration Law of the People’s Republic of China, the Law of the People’s Republic of China on the Protection of Disabled Persons, the Individual Income Tax Law of the People’s Republic of China, the Implementing Regulations of the Labour Contract Law of the People’s Republic of China, the Prevention and Treatment of Occupational Diseases Law of the People’s Republic of China, the Production Safety Law of the People’s Republic of China in Mainland China, the Employment Ordinance, the Employment of Children Regulations, the Employment of Young Persons (Industry) Regulations, the anti-discrimination ordinances, the Minimum Wage Ordinance, the Employees’ Compensation Ordinance, the Mandatory Provident Fund Schemes Ordinance, the Occupational Safety and Health Ordinance and other applicable laws and regulations in Mainland China and Hong Kong. The relevant information will be described in detail in the sections headed “Employment”, “Health and Safety” and “Labour Standards” below.

### Employment

The Group has established an internal management system which specifies the requirements for recruitment, promotion, dismissal, working hours, rest periods, compensation, welfare and other benefits.

#### **1. Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity and Anti-discrimination**

The Group has adopted human resources measures and practices to promote anti-discrimination, equal opportunity and diversity. It has established the Recruitment Management Policy and Procedures for Recruitment Management and adhered to the concept of “talent-oriented” in recruiting talents through various recruitment channels. Department heads set out job descriptions to define the job responsibilities and requirements of each position clearly and the human resources department assesses and screens applicants according to the requirements. The appropriate candidates would be selected based on working experience, professional knowledge, academic background, communication and presentation skills, regardless of their ethnic group, religion, nationality, gender, age, marital status. The policy applies to all phases of the employment relationship, including but not limited to hiring, promotion, performance appraisal, training, personal development and termination. The Group handles the dismissal of employees and compensates them in accordance with the local laws and regulations.

# Environmental, Social and Governance Report

## EMPLOYMENT AND LABOUR PRACTICES (continued)

### Employment (continued)

#### 1. *Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity and Anti-discrimination* (continued)

As at 31 December 2025, the gender ratio in the workforce of the Group (excluding two male senior management who are also the executive Directors) comprised 58.69% male and 41.31% female. The Group believes that the gender ratio of the workforce is within a reasonable range. Currently, these two male executive Directors are regarded as senior management of the Company and they are directly responsible for the business of the Group. The Group will review the effectiveness of the measures and practices against the actual circumstances of the Group and will adopt new policies when considered necessary. In particular, the Group will continue to monitor the gender ratio and will aim at achieving a greater gender diversity when hiring all positions across the Group.

In order to enhance the quality of work and competency of employees, the Group conducts periodic performance appraisals and fairly assesses the level of awards, salary increments and/or promotion recommendations based on a number of criteria, including work experience, seniority, knowledge and skills, performance, contributions, etc. During the performance appraisal process, the department head discusses with employees to set goals and development plans for work and organises appropriate training programmes for employees to develop their potential.

On the basis of job equality, the Group aims to identify talents who demonstrates dedication, responsibility, a willingness to keep learning, continuous improvement of their abilities and a willingness to move forward with the Group.

As at 31 December 2025, the numbers and distributions of the employees of the Group are as follows:

	2025	2024
<b>Gender</b>		
Male	235	264
Female	164	179
<b>Employment Type</b>		
Full-time	399	441
Part-time	–	2
<b>Age Group</b>		
18-30	38	42
31-45	203	233
46-60	143	152
Over 60	15	16
<b>Geographical Region</b>		
Mainland China	366	416
Hong Kong <sup>1</sup>	33	27

Note:

<sup>1</sup> Included 7 (2024: 8) Hong Kong employees who work in Mainland China.

# Environmental, Social and Governance Report

## EMPLOYMENT AND LABOUR PRACTICES (continued)

### Employment (continued)

#### 1. **Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity and Anti-discrimination** (continued)

During the Reporting Period, the average monthly employee turnover rates of the Group are as follows:

	2025	2024
<b>Gender</b>		
Male	1.73%	2.01%
Female	1.32%	1.99%
<b>Age Group</b>		
18-30	1.07%	3.75%
31-45	1.66%	2.01%
46-60	1.49%	1.42%
Over 60	2.08%	2.39%
<b>Geographical Region</b>		
Mainland China	1.57%	2.04%
Hong Kong	1.45%	1.42%

#### 2. **Compensation, Welfare and Other Benefits**

The Group attracts and retains outstanding talents by offering competitive remuneration packages and benchmarks the up-to-date remuneration data in their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salaries level is decided based on their knowledge, skills, experiences and educational background. Employee compensation varies among factories and offices by location. Some of the factories and offices implement a remuneration system that consists of basic salary and performance-based bonus.

The remuneration package includes salary, overtime allowance and bonus while the additional benefits include the provision of employee housing dorm, free annual body medical checkup, festival red packets, maternity subsidy, meal allowance, etc. Besides, in accordance with the local labour laws and social security laws and regulations, the Group provides social security benefits for all employees. The Group contributes to various social security schemes (endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident funds for the employees in Mainland China and contributes to the Mandatory Provident Fund Scheme for the employees in Hong Kong.

#### 3. **Working Hours and Rest Periods**

The Group places high priority on employees' health and work-life balance and upholds the employees' rights of having rest days and holidays. Employees' work hours are set in compliance with local labour laws.

# Environmental, Social and Governance Report

## EMPLOYMENT AND LABOUR PRACTICES (continued)

### Health and Safety

Employees are the Group's valuable human capital. According to the operation and production environment of each production plant, the Group has improved the occupational health and safety management rules and regulations and emergency contingency plans and updated the safety production management system in the current year to provide an effective safety management mechanism, so as to prevent and avoid occupational hazards, protect employees' health and provide a safe working environment for employees.

#### 1. Safety Training

New employees must join different practical trainings, understand the workflow, equipment operation and guidelines of the production department and receive safety education conducted by the production department and team. In order to raise occupational safety awareness, the Group provides frequent training to its employees to raise their awareness, knowledge and skills related to workplace safety. The Group also carries out regular role-based technical trainings, safety assessments and team activities to ensure that employees have adequate knowledge and skills to perform their job duties. During the Reporting Period, the Group organised various safety training programs, which cover the key areas of safety management, safety production, occupational hygiene and laws and regulations, safety production knowledge and management skills training, identification and evaluation of hazard sources, training and drill for fire fighting, first aid safety knowledge and skills training, case analysis of fire accidents, production equipment operation and equipment maintenance, working guideline for maintenance training, precautions for production feeding and operation safety training, prevention of heat stroke under high temperature knowledge training, personal protective equipment training, first aid and escape procedures for emergency incidents training and amongst other. In order to effectively implement the new safety management system, regular safety meetings are held to study the safety management system chapter-by-chapter. The production department is encouraged to conduct various learning activities to help employees to grasp new working regulations and operating procedures and avoid man-made safety accidents. Staff of special work types (e.g. welders, forklift drivers, etc.) must receive relevant professional safety training and possess a valid license issued by the government authority before they are put to work. The Group will continue to provide training and drills to minimise occupational health and safety risks during the production process.

#### 2. Management of Safety Risk

In order to follow the EHS management system and implement the production safety policy of "Safety and Prevention First, and Integrated Management", the Group formulated a production safety emergency plan to stipulate the emergency management work, enhance the ability to respond to risks and prevent emergency incidents and protect the employees' safety and health and public safety so as to reduce economic loss and the adverse impact on the environment and society. The Group continuously identifies the potential hazardous factors that may occur in workplace, like fire, explosion, poisoning, electric shock, mechanical injury, falls from height, noise and leakage of hazardous chemicals and performs risk assessment and takes preventive measures in respect of likelihood of incident, severity level of the consequences of the incident and the frequency of employees exposing to hazardous sources in order to eliminate hazards source and to reduce the likelihood of an incident. In order to handle different types of emergencies effectively and to ensure the employees' safety at the scene of incident, the production safety emergency plan determined each department's responsibilities. After an incident occurred, the responsible departments arrive at the scene and understand when it happened, the casualties and pollution caused and to make a preliminary assessment as to its nature, time, location, causes, casualties and the impact on the surrounding environment, etc., so as to determine its severity level and to take appropriate measures to contain the damage. They also have to report to the safety production monitoring authority and assist in the investigation of the government authorities. Besides, the Group reviews the compliance and effectiveness of the implemented EHS management system in accordance with the Internal Audit Control Procedures. During the Reporting Period, the Xinfeng Production Plant and the Zhongshan Production Plant held GB/T 45001-2020/ ISO 45001:2018 Occupational Health and Safety Management System Certification which shows that the Group attaches importance to occupational health and safety and has affirmed its work in this area.

# Environmental, Social and Governance Report

## EMPLOYMENT AND LABOUR PRACTICES (continued)

### Health and Safety (continued)

#### 3. **Safe Working Environment**

The Group has established a safety production committee to oversee the implementation of the safety management resolutions and regulations by various departments, conduct safety inspections, and urge the rectification of major accident hazards. The safety and environmental protection department, production department and engineering department of the Group work together to prevent safety incident from happening. The safety and environmental protection department is responsible for the monitoring and management of workplace hazards by conducting several safety inspections each day with the production department regarding the corridors and safety exit, fire-fighting equipment, the storage of hazardous chemicals and waste paints and the temperature and humidity in all paint and solvent production plants and warehouses to ensure potential safety hazards can be identified timely and to take remedial measures immediately or soonest possible to eliminate and control risk if any abnormalities are found and to keep detailed record. For example, when external drivers use a mobile phone in the fire control area, the safety inspector will immediately take the driver away from the area to prevent fire from happening. When there is a leakage in the raw materials in the Class A warehouse, the safety inspector will immediately arrange personnel to clean up the floor and replace the raw materials bucket so as to eliminate safety hazards. We post the occupational hazard notification cards in the production workshops to remind and warn the employees of various hazard sources and relevant preventive measures. To ensure equipment and facilities are in good condition and to control risk and prevent safety incidents from happening, the engineering department performs inspections on production equipment and fire facilities and provides status reports (including fire extinguishers, fire hose, etc.) to the management daily. If there is any malfunctioning of production equipment, repair work is required to be conducted immediately to ensure safe production and to keep proper, regular inspection and maintenance records.

#### 4. **Employee Occupational Health**

Pursuant to the requirements of the Production Safety Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Provision on the Supervision and Administration of Occupational Health at Work Sites and applicable local laws and regulations, the Group has established the Occupational Health Management System, Occupational Disease Protection Equipment Management System, etc. Based on various safety and hazardous occupational factors, for example, the production of paint involves the process of mixing various materials, in which the chemicals, including benzene, toluene, xylene and dust, etc., would affect the employees' health, the Group provides its employees with protective equipment (such as face masks, earmuffs, uniforms, protective shoes and high altitude working safety belts, etc.) and supervises its employees to equip them according to guidelines and performs inspections on an irregular basis to ensure the protective equipment are equipped properly. The Group also provides pre-employment and regular occupational hygiene training, optimises occupational hygiene internal control policy and so on, strengthens supervision so as to enhance employees' knowledge on occupational hygiene. During the Reporting Period, the Zhongshan Production Plant and the Xinfeng Production Plant engaged qualified agencies to inspect the occupational hazards of each job position. The inspection covers hazardous chemicals, noise, use of protective equipment and operation of protective facilities. The inspection results meet the standards. Employees in Mainland China are required to conduct pre-employment medical checkups and annual medical checkups and to pass the medical assessment as a prerequisite for continuous employment, which indicates that the Group cares about employees' health and occupational safety.

During the Reporting Period, the number of lost days due to work injury is as follows:

	2025	2024
Lost Days due to Work Injury	41 days	59 days

The Group had no work-related fatality occurred in each of the past three years, including the Reporting Period.

# Environmental, Social and Governance Report

## EMPLOYMENT AND LABOUR PRACTICES (continued)

### Development and Training

An excellent corporate team is critical for the Group's sustainable and long-term business development. Therefore, the Group has established a stringent and comprehensive recruitment system, standards and procedures, introduced a competition mechanism in order to explore and cultivate professional talents and encourage staff to continue the study and lifelong learning. Apart from aligning the Group's corporate business plan, the Group also aims to enhance the quality, technical skills and knowledge of employees through continuous training.

New employees are required to participate in the induction training with an aim to introduce corporate culture, industry knowledge, organisational structure, rules and regulations, environmental protection, workplace safety, basic product knowledge and system certification knowledge, etc. New employees must pass relevant assessments before starting work. The employees who are transferred to a new position are also required to receive training according to the skills requirements of the new position. They are required to pass the relevant assessment before putting them to work. In accordance with safety production management system, new hires and employees who are transferred to a new position are required to participate in a 3-level safety training to ensure the employees understand the national safety production laws and regulations, learn safety knowledge, acquaint themselves with the key safety production work of each position (please refer to the section headed "Health and Safety" above for details of workplace safety training).

In addition to the induction training, the Group also established a comprehensive staff training plan with reference to the manpower needs of each department. The Group organised internal training activities. The Group's human resources department manages and keeps proper records for the training programs, including training plan, training activities and participants. These comprehensive records are used as a reference for formulating a training plan in future. During the Reporting Period, the topics of internal training covered financial management, procurement management, information management, environmental management, quality management (please refer to the section headed "Product Responsibility" below for details), occupational health and production safety management (please refer to the above section headed "Health and Safety" for details), etc., covering training on the recognition and measurement of liabilities, procurement professionalism and job operation process training, information security training, electronic signature system operation training, implementation of environmental labelling product, implementation of certification standards for green products and green building materials, identification and evaluation of environmental factors, basic knowledge of environmental protection, standardised management of solid waste training, etc.

During the Reporting Period, the percentages of the employees of the Group trained<sup>1</sup> are as follows:

	2025	2024
<b>Gender</b>		
Male	59.58%	59.34%
Female	58.64%	49.33%
<b>Employee Category</b>		
Executive Directors and Senior Management	—	—
Middle Management	43.06%	34.07%
Ordinary Staff	62.53%	59.57%

Notes:

- <sup>1</sup> The percentage of the Group's employees trained refers to the number of Group's employees trained within the Reporting Period divided by the sum of the total number of employees of the Group at the end of the Reporting Period and the number of departing employees within the Reporting Period.
- <sup>2</sup> The Group encourages the employees to enhance their knowledge by reading training materials on their own, such training hours are not recorded by the Group and thus not reflected in the training data above.

# Environmental, Social and Governance Report

## EMPLOYMENT AND LABOUR PRACTICES (continued)

### Development and Training (continued)

During the Reporting Period, the average training hours<sup>1</sup> completed per the employee of the Group are as follows:

	2025	2024
<b>Gender</b>		
Male	10.53	11.11
Female	8.61	6.91
<b>Employee Category</b>		
Executive Directors and Senior Management	–	–
Middle Management	6.49	4.92
Ordinary Staff	10.42	10.31

Notes:

- <sup>1</sup> The average training hours refer to the number of training hours provided by the Group to the employees during the Reporting Period divided by the total number of employees of the Group at the end of the Reporting Period and the number of departing employees during the Reporting Period.
- <sup>2</sup> The Group encourages the employees to enhance their knowledge by reading training materials on their own, such training hours are not recorded by the Group and thus not reflected in the training data above.

### Labour Standards

The Group cherishes human rights and protects labour rights. Child and forced labour are strictly prohibited in accordance with the applicable labour laws and regulations. The human resources department of the Group conducts background checks and reference checks in its hiring process to prevent any child labour. Besides, the Group has also implemented various measures to prevent any forms of forced labour, including prisoners, indentured servitude and bonded labour. For example, labour contract is signed by the employee on a fair and voluntary basis, ensure employees do not need to bear any onboarding costs, no deduction of wages, benefits or property of employees, detention of employee's identity card or other identification documents is strictly prohibited, any form of physical abuse, assault, body search or insult, or forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom are all forbidden. Employees' consent for work overtime is required to avoid involuntary overtime work and the employees are compensated as appropriate in accordance with the applicable labour laws and regulations. In case any possible violations are found, the Group will immediately take countermeasures to rectify and eliminate such violations as soon as possible so as to ensure compliance operations.

### Compliance

During the Reporting Period, the Group was not involved in any confirmed illegal or non-compliance incidents related to employment, health and safety and labour standards that had a significant impact on the Group.

# Environmental, Social and Governance Report

## OPERATING PRACTICES

### Supply Chain Management

The Group conveys its concerns about environmental protection issues to the suppliers and business partners and expects them to join hands with the Group to fulfill the corporate social responsibility. The Group aims to develop business with its suppliers on the basis of equality to achieve a win-win situation. Therefore, the Group has established strict internal rules and regulations and procurement management and evaluation systems for both new and existing suppliers and has prepared an approved vendor list. When selecting a new supplier, the Group adheres to the five principles in procurement which are timeliness, quality, quantity, location and price. At the same time, it determines the technical standards for the items purchased and it is required to assess the potential, production scale, management system, production equipment, reputation, publicity, customer base, scope of services, etc., and suppliers are categorised into approved vendors or substandard vendors according to the assessment result. The Group selects the best suppliers after conducting trial tests on new raw materials. The Group will re-assess the substandard suppliers if they can complete rectification work within a reasonable time. The Group has a segregation of duties on each stage from the signing of contracts with suppliers to the acceptance of the products. The suppliers are required to obtain recognised certifications, adopt a sound internal management system, achieve stability in product quality, make on-time delivery, comply with relevant laws and regulations and possess professional skills and qualifications. As such, the Group can ascertain that the selected suppliers are capable of providing competitive and qualified products and services. The Group's Procedures for Raw Materials Inspection provides guidance on quality inspection to ensure the raw materials can fulfill the internal and hazardous substance requirements. The Group regularly conducts performance assessments on suppliers according to the frequency of purchase from suppliers. The assessment covers quality, delivery time, co-ordination and service and the suppliers are rewarded and penalised based on the performance assessment result and ratings. Besides, the Group also conducts annual vendor evaluation according to the raw materials' criticality and risk level. The Group strictly implements the relevant practices to engage all main suppliers in accordance with the internal regulations. The Group establishes a supply chain management system with strict requirements to provide various reporting channels to its employees, suppliers, customers and other business parties to report any violations of laws or regulations.

Prior to entering into the contract stage with key business partners, the Group conducts an assessment based on a variety of criteria, including attitude towards environmental and social issues. When selecting suppliers, the Group conducted on-site inspections to understand suppliers' considerations on social responsibility issues, such as child labour and forced labour, occupational health and safety, discrimination, employees' remuneration, working hours, etc. Besides, the Group also requires suppliers to provide self-investigation reports on environmental and occupational health and safety, including whether the suppliers have obtained approvals from the government, environmental management system certification, occupational health and safety management system certification, etc., whether illegal or non-compliant pollutants are generated during the production process, whether toxic, prohibited substances or dangerous chemicals are used in products or production process, whether suppliers use environmentally friendly materials or processes, whether suppliers provide employees with appropriate labour protective supplies, whether suppliers provide employees with adequate training, etc.

During the Reporting Period, the number and geographical distribution of the approved suppliers and the main suppliers that have business with the Group are as follows:

	2025	2024	2025	2024
	Approved Suppliers		Main Suppliers that have Business with the Group	
Mainland China	270	267	231	252

# Environmental, Social and Governance Report

## OPERATING PRACTICES (continued)

### Product Responsibility

To achieve the philosophy of “quality, consumer and environmental protection first”, the Group is committed to delivering high-quality products and services to meet the expectations of the customers.

### Management of Product Quality

#### 1. Product Quality Assurance

With technological advancement and rising living standards, customer expectations on product quality have become increasingly stringent. Therefore, the Group owns advanced production equipment and measuring instruments, cultivates professional production and technical teams, keeps improving product quality and implements an effective quality control system. Quality Management of the Group has been certified under GB/T 19001 and ISO 9001, which standardised the production and product quality assurance process. The Group has formulated comprehensive quality inspection procedures covering the whole production process – from raw materials used in pre-production, during the manufacturing process and post-product inspection. The inspections are performed by experienced and well-trained inspectors with the aid of meticulous devices.

#### 2. Quality Management Training

The Group believes that high-caliber employees positively impact the product quality. As such, the Group regularly provides training courses relating to product quality, such as ISO basic knowledge, the ISO 9001 standard training, internal auditor training, product certification standard training, water-based production process and testing project training, quality policy and target training, etc., so as to ensure that the quality inspectors possess the latest skills and knowledge. The Group hopes that employees can gain a sense of satisfaction and accomplishment at work, seize every opportunity to improve the product quality together with the Group and move towards a goal in achieving high quality.

### Management of Customers' Complaints

The Group has established a comprehensive sales network in Mainland China and Hong Kong and established sales branches in various cities in Mainland China and co-operated with the technical service centre in Shenzhen. The Group offers 24-hour professional technical services, point-to-point on-site technical consultation and guidance, thereby improving the quality of customer service. The Group conducts customer satisfaction surveys continuously to understand their view on the Group's product and service quality. It also formulates Procedures for Control of After-sales Services to ensure that it can meet the customers' requirements in the after-sales services. Based on the concern about customers' complaints, the Group establishes a stringent customer complaint handling system. For example, customers can lodge complaints and provide recommendations through a 24-hour service hotline and online service to deal with complaints promptly, analyse the root cause and take rectification and preventive measures.

During the Reporting Period, the number of products and service-related complaints received is as follows:

	2025	2024
Complaints Received	158	186

# Environmental, Social and Governance Report

## **OPERATING PRACTICES** (continued)

### **Product Responsibility** (continued)

#### ***Management of Labelling***

The production plants of the Group in Mainland China have obtained various international accreditation certificates, such as Labels for China Compulsory Certification (CCC). The Group strictly complies with the Product Quality Law of the People's Republic of China, Regulations of Use of China Environmental Labelling, Regulation Concerning Management of Compulsive Product Certification and applicable laws and regulations relating to product responsibility. In order to protect customers' legitimate rights effectively, the Group establishes the Guideline on Printing, Procurement, Custody and Use of Labels and Procedures for Product Labelling and Tracking to monitor the use of each type of certification labels and strictly prohibits employees from using labels on unauthenticated or substandard products and selling such products in the market. These are to ensure product quality and to protect consumers' interests. In order to reduce the impact of counterfeit items on the Group's products, the Group strictly monitors the sales channels and sets up a customer service hotline to promptly collect information on counterfeit products and handle the issue properly. The Group has also affixed anti-counterfeit labels on the outer packaging of products. Customers can perform product authentication online or through an enquiry hotline or conduct the authentication themselves to prevent counterfeit products from entering the market and defend the rights of the company and consumers. Besides, in respect of the production of paint and coating products, the Group has complied with the international standards in the processes of selection of raw materials, production and product testing. Over the years, the Group has been awarded numerous honours for its products which recognise the Group's determination in providing its customers with the best service and high-quality products (For details, please refer to the section headed "Awards and Honours" below).

#### ***Customer Data Protection and Privacy Policies***

Confidentiality is one of the core values of the Group. The Group handles customers' personal data in good faith and with care in accordance with applicable laws and regulations. Customers' personal data must be kept safe and in compliance with confidentiality requirements. The customer must have been informed of the purposes for which his/her personal data will be used and to whom the data will be transferred (e.g. a person associated with the company). The personal data collected can only be used for the purposes for which the data are collected. If the data needs to be disclosed to other parties, prior consent must be obtained from the customer. The Group has strict data management policies and appropriate IT access controls and measures in place to prevent data leakage and hacking of its information systems, for example, physical access control, firewalls and anti-virus software.

#### ***Maintenance and Protection of Intellectual Property Rights***

The Group respects intellectual property rights and employees are not allowed to possess or use copyrighted material without permission from the copyright owners.

#### ***Recall of Products***

During the Reporting Period, the Group has no recall on the products which have been sold or shipped due to safety and health reasons.

#### ***Compliance***

During the Reporting Period, the Group was not involved in any confirmed illegal or non-compliance incidents related to product and service liabilities that had a significant impact on the Group, nor did it receive any complaints concerning breaches of customer privacy, data loss or intellectual property rights.

# Environmental, Social and Governance Report

## OPERATING PRACTICES (continued)

### Anti-corruption

Maintaining an ethical working environment is one of the core values of the Group. The Group has adopted a zero-tolerance approach for all kinds of corruption, bribery and extortion situations. To comply with the Criminal Law of the People's Republic of China, the Prevention of Bribery Ordinance is enforced by the Hong Kong Independent Commission Against Corruption and other applicable laws and regulations. The Group established different policies and procedures and working guidelines to strictly regulate the behaviour of Directors, management and employees. The Group has set out strict penalties in the employee handbook to combat inappropriate collection and acceptance of bribes, commissions or other illegal interests (such as property, banquet activities, etc.). The Group provides on-the-job anti-corruption training for all personnel (including the Directors and employees) and requires them to abide by rules and regulations and does not tolerate any bribery at all. During the Reporting Period, the employees in the Zhongshan Production Plant have attended anti-corruption training. Integrity is the key in the code of conduct for the sales and procurement departments in view of their nature of work. Therefore, the Group established Sales Department Management Policy, Guidelines for the Code of Conduct of Salesperson and Anti-Corruption Commitment Letter for Procurement Staff which set out guidelines for the sales and procurement staff to tackle the related issues and regulate misconduct behaviour. For example, salespersons are prohibited from making any promise with dealers by offering any discount, rewards or gifts, etc. on behalf of the Company without prior approval. The Group conducts disciplinary inspections and monitoring in the production and business process to ensure whistle-blowing channels, such as "Chairman's Mailbox", are in place for people to use in confidence, to lodge complaints regarding behaviours in violation of rules, regulations and laws, such as the abuse of power for personal gains, bribery, blackmail, frauds or money laundering. The Group is determined to combat corruption and contributes to building a clean society. Before employees are on board, they are required to attend training in business ethics. Employees who are in breach of the Company's code of conduct are disciplined and/or dismissed.

During the Reporting Period, there is no litigation of corruption involving the Group or its employees.

## COMMUNITY

### Community Investment

The Group emphasises community involvement and advocates accountability in its corporate culture. Everyone is accountable to oneself, their family, their employer and society. The Group believes that corporate development relies not only on the advanced technology, talented and hard-working employees, but also on close ties and development with the stakeholders. During the Reporting Period, the Group sponsored more than RMB40,000 of bursaries for a number of students of Xinfeng No. 1 Middle School in Mainland China, sponsored RMB3,000 to a village committee and donated RMB50,000 to the poverty alleviation and relief day event organised by the Xinfeng county government, hoping to actively involve in practising social responsibilities; at the same time of business development, the Company also pays attention to contributing to society and sincerely put it into action and to spread love. The Group will continuously encourage its employees to participate in more voluntary activities and services in the coming year.

# Environmental, Social and Governance Report

## HONOURS AND AWARDS

The Group obtained the following major honours and awards in 2025:

### Hong Kong

- "Flower (菊花牌)" of China Paint (1932) was awarded "Hong Kong Top Brand".

### Mainland China

- China Paint (Shenzhen), China Paint (Xinfeng) and Yongcheng Eco-friendly were awarded "GB/T 19001-2016/ ISO 9001:2015 Quality Management System Certificate".
- China Paint (Shenzhen), China Paint (Xinfeng) and Yongcheng Eco-friendly were awarded "GB/T 45001-2020/ ISO 45001:2018 Occupational Health and Safety Management System Certificate".
- China Paint (Shenzhen), China Paint (Xinfeng) and Yongcheng Eco-friendly were awarded "GB/T 24001-2016/ ISO 14001:2015 Environmental Management System Certificate".
- China Paint (Xinfeng) was awarded "IECQ QC 080000:2017 Hazardous Substance Process Management System Certificate".
- China Paint (Xinfeng) was awarded "ISO/IEC 17025: 2017 Laboratory Accreditation Certificate by China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會實驗室認可證書)".
- China Paint (Xinfeng) and Yongcheng Eco-friendly were awarded "Certificate for China Environmental Labelling Production Certification (中國國家強制性產品認證證書)".
- Some products of Yongcheng Eco-friendly were awarded "Certificate for China Green Product Certification (中國綠色產品認證證書)".
- Some products of Yongcheng Eco-friendly were awarded "Certificate for Green Building Materials Certification (綠色建材產品認證證書)".
- Some paint products of "Flower (菊花牌)" of Yongcheng Eco-friendly were awarded "Certificate for Guangdong-Hong Kong-Macao Greater Bay Area Carbon Footprint Certification (粵港澳大灣區碳足跡標識認證證書)".
- China Paint (Shenzhen), China Paint (Xinfeng) and Yongcheng Eco-friendly were awarded "China Environmental Labeling Certification (中國環境標誌產品認證證書)".
- China Paint (Shenzhen) and China Paint (Xinfeng) were awarded "High-tech Enterprise Certificate (高新技術企業證書)".
- Paint product of "Flower (菊花牌)" of China Paint (Shenzhen) was awarded "Famous Brand in Shenzhen (深圳知名品牌)" and "Famous Brand in Greater Bay Area (灣區知名品牌)".
- Paint product of "Flower (菊花牌)" of China Paint (Shenzhen) was awarded "Influential Brand in Engineering and Architectural Coating Products (工程建築塗料影響力品牌)".
- Paint product of "Giraffe (長頸鹿牌)" of China Paint (Shenzhen) was awarded "Influential Ethic Brand in Exterior Wall Paints (牆面漆影響力品牌)".
- Paint product of "Toy Brand (玩具牌)" of China Paint (Shenzhen) was awarded "Influential Brand in Light Industry Coating Products (輕工業塗料影響力品牌)".

# Environmental, Social and Governance Report

## SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	2025	2024
<b>GREENHOUSE GAS EMISSIONS</b>			
<b>Scope 1<sup>1</sup>:</b>			
Total	Tonnes	147.55	187.12
Intensity <sup>3</sup>	Tonnes	1.97	1.71
<b>Scope 2<sup>2</sup>:</b>			
Total	Tonnes	1,004.14	1,309.98
Intensity <sup>3</sup>	Tonnes	13.43	11.98
<b>AIR EMISSIONS</b>			
Nitrogen Oxides	Kilograms	289.13	414.29
Sulfur Oxides	Kilograms	0.69	1.03
Particulate Matters	Kilograms	18.94	27.17
<b>HAZARDOUS WASTES</b>			
<b>Solid Wastes Generated:</b>			
Total	Tonnes	14.19	23.97
Intensity <sup>3</sup>	Tonnes	0.19	0.22
<b>NON-HAZARDOUS WASTES</b>			
<b>Solid Wastes Generated<sup>4</sup>:</b>			
Total	Tonnes	67.48	94.92
Intensity <sup>3</sup>	Tonnes	0.90	0.87
<b>Wastewater Discharged:</b>			
Total	Tonnes	5,453.00	7,376.00
Intensity <sup>3</sup>	Tonnes	72.92	67.47
<b>PACKAGING MATERIALS USED FOR FINISHED GOODS</b>			
Total	Tonnes	759.70	1,013.76
Intensity <sup>3</sup>	Tonnes	10.16	9.27
<b>ENERGY AND WATER RESOURCES CONSUMPTION</b>			
<b>Electricity:</b>			
Total	MWh	1,865.41	2,143.02
Intensity <sup>3</sup>	MWh	24.94	19.60
<b>Diesel:</b>			
Total	Tonnes	9.58	11.84
Intensity <sup>3</sup>	Tonnes	0.13	0.11
<b>Gasoline:</b>			
Total	Tonnes	27.58	41.36
Intensity <sup>3</sup>	Tonnes	0.37	0.38
<b>Water Resources:</b>			
Total	Cubic Meters	23,025.00	28,142.00
Intensity <sup>3</sup>	Cubic Meters	307.89	257.42
<b>Refrigerant:</b>			
Total	Kilograms	10.00	–
Intensity <sup>3</sup>	Kilograms	0.13	–

Notes:

- <sup>1</sup> Scope 1 refers to the direct greenhouse gas emissions from the Group's business, including combustion of gasoline and diesel and consumption of refrigerants.
- <sup>2</sup> Scope 2 refers to the indirect greenhouse gas emissions from the Group's business, including consumption of purchased electricity.
- <sup>3</sup> The emission/production/consumption intensities are calculated in terms of the production per hundred tonnes.

# Environmental, Social and Governance Report

## COMPLIANCE WITH THE “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE” ISSUED BY THE STOCK EXCHANGE

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS		PAGE
<b>A. ENVIRONMENTAL</b>		
<b>ASPECT A1</b>	<b>EMISSIONS</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. <i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Hazardous wastes are those defined by national regulations.</i>	45-54
KPI A1.1	The types of emissions and respective emissions data.	49-50, 52-53, 75
KPI A1.2	[Repealed 1 January 2025]	N/A
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	52, 75
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	50, 53, 75
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	46-48
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	48-53
<b>ASPECT A2</b>	<b>USE OF RESOURCES</b>	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>	54-58
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (in MWh) and intensity (e.g. per unit of production volume, per facility).	55-56, 75
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	57, 75
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	54-56
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	57
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	58, 75
<b>ASPECT A3</b>	<b>THE ENVIRONMENT AND NATURAL RESOURCES</b>	
General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	59
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	59
<b>ASPECT A4</b>	<b>CLIMATE CHANGE [Repealed 1 January 2025]</b>	
KPI A4.1	[Repealed 1 January 2025]	N/A

# Environmental, Social and Governance Report

## COMPLIANCE WITH THE “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE” ISSUED BY THE STOCK EXCHANGE (continued)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS		PAGE
<b>B. SOCIAL</b>		
<b>EMPLOYMENT AND LABOUR PRACTICES</b>		
<b>ASPECT B1</b>	<b>EMPLOYMENT</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	63-65
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	64
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	65
<b>ASPECT B2</b>	<b>HEALTH AND SAFETY</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	66-67
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	67
KPI B2.2	Lost days due to work injury.	67
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	66-67
<b>ASPECT B3</b>	<b>DEVELOPMENT AND TRAINING</b>	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities. <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>	68-69
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	68
KPI B3.2	The average training hours completed per employee by gender and employee category.	69
<b>ASPECT B4</b>	<b>LABOUR STANDARDS</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	69
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	69
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	69

# Environmental, Social and Governance Report

## COMPLIANCE WITH THE “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE” ISSUED BY THE STOCK EXCHANGE (continued)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS		PAGE
<b>B. SOCIAL (continued)</b>		
<b>OPERATING PRACTICES</b>		
<b>ASPECT B5</b>	<b>SUPPLY CHAIN MANAGEMENT</b>	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	70
KPI B5.1	Number of suppliers by geographical region.	70
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	70
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	70
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	70
<b>ASPECT B6</b>	<b>PRODUCT RESPONSIBILITY</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	71-72
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	72
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	71
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	72
KPI B6.4	Description of quality assurance process and recall procedures.	71
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	72
<b>ASPECT B7</b>	<b>ANTI-CORRUPTION</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	73
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	73
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	73
KPI B7.3	Description of anti-corruption training provided to directors and staff.	73

# Environmental, Social and Governance Report

## COMPLIANCE WITH THE “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE” ISSUED BY THE STOCK EXCHANGE (continued)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS		PAGE
<b>B. SOCIAL (continued)</b>		
<b>COMMUNITY</b>		
<b>ASPECT B8</b>	<b>COMMUNITY INVESTMENT</b>	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	73
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	73
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	73
<b>C. CLIMATE-RELATED RISKS</b>		
General Disclosure	Governance – The governance process, controls and procedures an issuer uses to monitor, manage and oversee climate-related risks and opportunities.	39, 60
General Disclosure	Strategy – The strategy of an issuer for managing climate-related risks and opportunities.	60-62
General Disclosure	Risk Management – The process an issuer uses to identify, assess, prioritise and monitor climate-related risks and opportunities.	60-62
General Disclosure and KPI	Metrics and targets – The metrics and targets an issuer uses to understand its performance in relation to climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.	62

# Report of the Directors

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

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of paint and coating products and property investment (including the investments in properties for rental income). Details of the activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 3 to 23 of this annual report. The discussion forms part of this directors' report.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2025 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 94 to 173.

The Directors have resolved not to declare a final dividend for the year ended 31 December 2025.

## MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 26% of the total purchases for the year and purchases from the largest supplier included therein amounted to 8%. Sales to the Group's five largest customers accounted for less than 22% of the total sales for the year.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

## SUMMARY OF FINANCIAL INFORMATION

The following table summarises the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate. This summary does not form part of the audited consolidated financial statements.

### Results

	Year ended 31 December				
	2025	2024	2023	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)
Revenue	<u>241,091</u>	<u>321,352</u>	<u>469,091</u>	<u>643,049</u>	<u>842,519</u>
Loss before tax	<b>(46,626)</b>	(49,585)	(69,459)	(98,456)	(61,225)
Income tax credit/(expense)	<u>579</u>	<u>1,601</u>	<u>2,482</u>	<u>(15)</u>	<u>1,780</u>
Loss for the year	<u><b>(46,047)</b></u>	<u>(47,984)</u>	<u>(66,977)</u>	<u>(98,471)</u>	<u>(59,445)</u>
ATTRIBUTABLE TO:					
Owners of the parent	<b>(45,982)</b>	(47,915)	(67,115)	(98,084)	(59,533)
Non-controlling interest	<u>(65)</u>	<u>(69)</u>	<u>138</u>	<u>(387)</u>	<u>88</u>
	<u><b>(46,047)</b></u>	<u>(47,984)</u>	<u>(66,977)</u>	<u>(98,471)</u>	<u>(59,445)</u>
Loss per share (HK cents)					
Basic and diluted	<u><b>(4.60)</b></u>	<u>(4.79)</u>	<u>(6.71)</u>	<u>(9.81)</u>	<u>(5.95)</u>

# Report of the Directors

## SUMMARY OF FINANCIAL INFORMATION (continued)

### Assets, Liabilities and Non-controlling Interest

	31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Total assets	<b>706,675</b>	803,996	972,859	1,152,832	1,203,480
Total liabilities	<b>(349,518)</b>	(422,933)	(524,219)	(631,887)	(670,366)
Non-controlling interest	<b>(4,101)</b>	(3,975)	(4,175)	(2,879)	(3,538)
	<b>353,056</b>	377,088	444,465	518,066	529,576
Net asset value per share (HK\$)	<b>0.36</b>	0.38	0.45	0.52	0.53

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

## SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK\$164,612,000.

## CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK\$300,000.

# Report of the Directors

## DIRECTORS

The Directors during the year and up to the date of this report are as follows:

### Executive Directors

Tsui Ho Chuen, Philip  
Li Guangzhong  
Mak Chi Wah (*up to 12 June 2025*)

### Non-executive Directors

Chong Chi Kwan (*resigned on 6 June 2025*)  
Mak Chi Wah (*as from 13 June 2025*)

### Independent Non-executive Directors

Chua Joo Bin  
Xia Jun  
Meng Jinxia

In accordance with the Articles, Mr. Li Guangzhong and Ms. Meng Jinxia will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### Directors

Name	Age	Position held	Number of years of service	Business experience
<b>Executive Directors</b>				
Tsui Ho Chuen, Philip	62	Executive Director, Chairman and Managing Director	41	Qualified solicitor and more than 41 years' experience in the paint and coating industry
Li Guangzhong	56	Executive Director and Sales Director	33	More than 32 years' experience in the paint and coating industry
<b>Non-executive Director</b>				
Mak Chi Wah	48	Non-executive Director	10	More than 26 years' experience in accounting, auditing, taxation and business operations management

# Report of the Directors

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
<b>Independent Non-executive Directors</b>				
Chua Joo Bin	73	Independent Non-executive Director	9	More than 49 years' experience in finance and accounting
Xia Jun	70	Independent Non-executive Director	9	Qualified PRC lawyer with more than 36 years' experience in PRC legal practice
Meng Jinxia	68	Independent Non-executive Director	3	More than 39 years' experience in engineering and manufacturing

### Senior management

The businesses of the Group are under the direct responsibility of two executive Directors, namely, Mr. Tsui Ho Chuen, Philip and Mr. Li Guangzhong, who are regarded as the senior management of the Company.

#### Notes:

- (1) Mr. Tsui Ho Chuen, Philip is a director of CNT Enterprises Limited and a non-executive director of CNT Group Limited. Both CNT Enterprises Limited and CNT Group Limited are the substantial shareholders of the Company. CNT Group Limited is a company listed on the Stock Exchange. Mr. Tsui Ho Chuen, Philip is the nephew of Mr. Tsui Yam Tong, Terry, the chairman and managing director of CNT Group Limited.
- (2) Mr. Mak Chi Wah was re-designated as a non-executive Director with effect from 13 June 2025. He has been an executive director of CNT Group Limited since 13 June 2025.

## CHANGE IN DIRECTOR'S INFORMATION

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 and the Remuneration Committee with effect from 6 June 2025.
- (2) Mr. Tsui Ho Chuen, Philip ceased to be a member of the Nomination Committee with effect from 6 June 2025.
- (3) Ms. Meng Jinxia was appointed as a member of each of the Audit Committee and Nomination Committee with effect from 6 June 2025.
- (4) Mr. Mak Chi Wah was appointed as a member of the Remuneration Committee with effect from 6 June 2025. He was 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 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.
- (5) Details of changes in the Directors' remuneration are set out in note 9 to the consolidated financial statements.

# Report of the Directors

## **DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS**

There was no transaction, arrangement or contract of significance in relation to the Company's businesses subsisting during or at the end of this financial year in which the Company, its holding company, any of its subsidiaries or fellow subsidiaries, and in which a Director or an entity connected with a Director is or was materially interested either directly or indirectly.

## **CONTRACTS WITH CONTROLLING SHAREHOLDERS**

Save as disclosed in note 36 to the consolidated financial statements, there was no contract of significance entered into between the Company or any of its subsidiaries and any controlling Shareholder or any of its subsidiaries, nor there was any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2025 or subsisted as at 31 December 2025.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

None of the Directors has any interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## **DIRECTORS' SERVICE CONTRACTS**

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The remuneration of the executive Directors is determined by the Remuneration Committee and the remuneration of the non-executive Directors is determined by the Board on the recommendation of the Remuneration Committee, by reference to their duties and responsibilities, performance, experiences, time commitment, market conditions and the corporate goals and objectives as set by the Board.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed in the section headed "Share Options" below, at no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

Pursuant to the Articles, the Directors, the Company Secretary and other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which they or any of them may sustain or incur in or about the execution of their duties in their respective offices, or in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors, the Company Secretary and other officers of the Company during the year ended 31 December 2025.

# Report of the Directors

## EQUITY-LINKED AGREEMENTS

There was no equity-linked agreement that has been entered into by the Company in this financial year. Nor was there any equity-linked agreement entered into by the Company in the past which still subsisted in this financial year, save as disclosed in the section headed "Share Options" below.

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

As at 31 December 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 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 Share Option Scheme. Further details of the share options are set out in the section headed "Share Options" below.

Save as disclosed above, as at 31 December 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, 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 year under review.

## SHARE OPTIONS

The Company's Share Option Scheme was adopted on 4 June 2020. Its key terms are summarised below:

- (i) The purpose of the Share Option Scheme is to provide the eligible participants an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of the executives of the Company, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

# Report of the Directors

## SHARE OPTIONS (continued)

- (ii) The eligible participants of the Share Option Scheme include any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any Invested Entity, including any executive director of the Company or any of its subsidiaries or any Invested Entity; any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; and any person or entity that provides research, development or other technological support to the Group or any Invested Entity.
- (iii) The total number of Shares available for issue under the Share Option Scheme is 100,000,000 which represents 10% of the total number of Shares in issue (excluding treasury shares, if any) as at the date of this report.
- (iv) The maximum number of Shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding 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.
- (v) A share option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the share option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted.
- (vi) Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.
- (vii) The amount payable by the grantee(s) to the Company on acceptance of the offer for the grant of a share option is HK\$1.00.
- (viii) The exercise price in relation to each share option offered to an eligible participant shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of: (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer; (b) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the Share.
- (ix) An offer for the grant of the share options must be accepted by the relevant eligible participant not later than 21 days after the offer date or such longer or shorter period as the Board may specify from and inclusive of the offer date.
- (x) The Share Option Scheme remains in force until 3 June 2030.

# Report of the Directors

## SHARE OPTIONS (continued)

Details of the movements in the share options granted by the Company under the Share Option Scheme during the year are as follows:

Name	Date of grant	Exercise period	Exercise price per Share HK\$	Number of share options					Outstanding as at 31 December 2025	
				Outstanding as at 1 January 2025	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year		
<b>Executive Director</b>										
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	-	-	10,000,000
<b>Executive Director</b>										
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	-	-	10,000,000
<b>Former Non-executive Director</b>										
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	(10,000,000)	-	-
<b>Employees</b>										
	15 June 2022	15 June 2022 to 14 June 2027	0.335	40,000,000	-	-	-	-	-	40,000,000
				70,000,000	-	-	-	(10,000,000)	-	60,000,000

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 on 14 June 2022, being the date immediately before the date on which the above share options were granted under the Share Option Scheme, was HK\$0.335.
- (3) The number of share options available for grant under the Share Option Scheme as at 1 January 2025 and 31 December 2025 were 30,000,000 and 40,000,000 respectively.
- (4) There was no service provider sublimit set under the Share Option Scheme.
- (5) There is no performance target attached with the share options.

# Report of the Directors

## SHARE OPTIONS (continued)

Notes:

- (6) During the year ended 31 December 2025, no share options were granted under the Share Option Scheme. The number of Shares that may be issued in respect of share options granted under the Share Option Scheme during the year ended 31 December 2025 divided by the weight average number of Shares in issue (excluding treasury shares, if any) for the year ended 31 December 2025 was 6%.
- (7) None of the share options granted under the Share Option Scheme was cancelled and 10,000,000 share options granted under the Share Option Scheme were lapsed during the year ended 31 December 2025.
- (8) Details of the value of the share options granted under the Share Option Scheme are set out in note 30 to the consolidated financial statements.
- (9) Save as disclosed above, no share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2025.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 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 relates 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 31 December 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.

## SUFFICIENCY OF PUBLIC FLOAT

Based on publicly available information and within the Directors' knowledge, the Company has maintained a sufficient public float as required under the Listing Rules as at the date of this report.

# Report of the Directors

## AUDITOR

With the recommendation of the Audit Committee, the Board appointed ZHONGHUI ANDA CPA Limited as the auditor of the Company with effect from 17 November 2025 to fill the casual vacancy following the resignation of Ernst & Young. For details, please refer to the announcement of the Company dated 17 November 2025. Save as disclosed above, there was no change of the auditor of the Company in the preceding three years.

The consolidated financial statements of the Group for the year ended 31 December 2025 have been audited by ZHONGHUI ANDA CPA Limited, whose term of office will expire upon the forthcoming AGM. ZHONGHUI ANDA CPA Limited shall retire and a resolution for its re-appointment as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board  
**CPM Group Limited**

**Tsui Ho Chuen, Philip**  
*Chairman and Managing Director*  
Hong Kong, 27 March 2026

# Independent Auditor's Report



**To the shareholders of CPM Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of CPM Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 94 to 173, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

### **Allowance for expected credit losses (“ECLs”) assessment on trade receivables**

Refer to Note 20 to the consolidated financial statements.

As at 31 December 2025, the Group recorded gross trade receivables of HK\$162.3 million before loss allowance of HK\$99.5 million.

Significant management judgement and estimation were required in assessing the ECLs for the trade receivables, with reference to the grouping of various customer segments, the ageing profile of the trade receivable balances, and the past repayment history of customers and forecast economic conditions.

We have identified the above matter as a key audit matter because of its significance to the consolidated financial statements and the subjective judgements made by the management of the Group over assessing the credit standing of the Group's debtors and therefore the estimation of ECLs of trade receivables.

Our audit procedures included, among others:

- a) understanding and assessing the Group's policy on determining the loss allowance in accordance with the requirements of HKFRS 9, including an evaluation on management judgements on (i) the level of disaggregation of customer groups for collective assessment; and (ii) the use of available credit risk information, including historical, probability of default, loss given default and forward-looking information;
- b) reviewing management's assumptions used to determine the ECLs through testing, on a sample basis, the underlying information on the ageing reports generated by the Group's financial reporting system, assessing the repayment history of the debtors as well as the forward-looking factors with reference to the related publicly available information;
- c) evaluating the assumptions used for the ECLs assessment and key parameters adopted; and
- d) assessing the adequacy of the Group's disclosures in relation to the ECLs assessment on trade receivables in the consolidated financial statements.

We consider that the Group's ECLs assessment on trade receivables is supported by the available evidence.

# Independent Auditor's Report

## **KEY AUDIT MATTERS** (continued)

### **Fair value of investment properties**

Refer to Note 15 to the consolidated financial statements.

As at 31 December 2025, investment properties measured at fair values amounted to approximately HK\$292.2 million, with a corresponding fair value losses of HK\$17.1 million recognised in profit or loss for the year. The Group has engaged independent qualified professional valuer to perform the valuation of the investment properties.

We have identified the above matter as a key audit matter because of its significance to the consolidated financial statements and the valuation process is inherently subjective and dependent on a number of estimates.

Our audit procedures included, among others:

- a) considering the objectivity, independence and competence of the independent qualified professional valuer engaged by the Group;
- b) assessing the valuation methodologies adopted and the assumptions used by the valuer for the valuation of investment properties held by the Group;
- c) performing market value benchmarking against comparable properties on a sample basis; and
- d) assessing the adequacy of the Group's disclosures in relation to the fair value measurement of investment properties in the consolidated financial statements.

We consider that the Group's fair value measurement of investment properties is supported by the available evidence.

## **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

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

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

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

# Independent Auditor's Report

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

Kwong Man Fai, Eric

Audit Engagement Director

Practising Certificate Number P08000

Hong Kong, 27 March 2026

# Consolidated Statement of Profit or Loss

Year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
REVENUE	6	241,091	321,352
Cost of sales		(140,513)	(192,034)
Gross profit		100,578	129,318
Other income and gains, net	6	7,588	7,534
Selling and distribution expenses		(42,191)	(50,885)
Administrative expenses		(86,539)	(79,489)
Reversal of provision/(provision) for impairment of trade and bills receivables, net	7	10,470	(24,186)
Other expenses, net		(29,309)	(20,701)
Finance costs	8	(7,223)	(11,176)
LOSS BEFORE TAX	7	(46,626)	(49,585)
Income tax credit	11	579	1,601
LOSS FOR THE YEAR		(46,047)	(47,984)
ATTRIBUTABLE TO:			
Owners of the parent		(45,982)	(47,915)
Non-controlling interest		(65)	(69)
		(46,047)	(47,984)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT Basic and diluted	13	HK (4.60) cents	HK (4.79) cents

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
LOSS FOR THE YEAR	<b>(46,047)</b>	(47,984)
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	<b>22,041</b>	(20,018)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<b>22,041</b>	(20,018)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<b>(24,006)</b>	(68,002)
ATTRIBUTABLE TO:		
Owners of the parent	<b>(24,132)</b>	(67,802)
Non-controlling interest	<b>126</b>	(200)
	<b>(24,006)</b>	(68,002)

# Consolidated Statement of Financial Position

31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	84,996	90,786
Investment properties	15	292,167	295,283
Right-of-use assets	16(a)	27,019	29,556
Equity investment designated at fair value through other comprehensive income	17	300	300
Deposits for purchases of property, plant and equipment	18	2,901	3,971
Deposits and prepayments	21	832	796
Deferred tax assets	27	17,505	17,991
<b>Total non-current assets</b>		<b>425,720</b>	<b>438,683</b>
<b>CURRENT ASSETS</b>			
Inventories	19	17,331	18,664
Trade and bills receivables	20	64,469	103,628
Prepayments, deposits and other receivables	21	40,862	51,562
Pledged deposits	22	14,691	22,207
Cash and cash equivalents	22	143,602	169,252
<b>Total current assets</b>		<b>280,955</b>	<b>365,313</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	23	87,423	125,437
Other payables and accruals	24	43,034	44,715
Interest-bearing bank borrowings	25	27,271	88,075
Lease liabilities	16(b)	2,623	3,264
Tax payable		9,199	8,768
<b>Total current liabilities</b>		<b>169,550</b>	<b>270,259</b>
<b>NET CURRENT ASSETS</b>		<b>111,405</b>	<b>95,054</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>537,125</b>	<b>533,737</b>

# Consolidated Statement of Financial Position

31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Loans from the Parent Group*	26	<b>71,491</b>	107,897
Interest-bearing bank borrowings	25	<b>65,888</b>	–
Lease liabilities	16(b)	<b>661</b>	2,850
Deferred tax liabilities	27	<b>37,735</b>	37,855
Deferred income	28	–	52
Deposits received	24	<b>4,193</b>	4,020
		<hr/>	<hr/>
Total non-current liabilities		<b>179,968</b>	152,674
		<hr/>	<hr/>
Net assets		<b>357,157</b>	381,063
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	29	<b>100,000</b>	100,000
Reserves	31	<b>253,056</b>	277,088
		<hr/>	<hr/>
		<b>353,056</b>	377,088
		<hr/>	<hr/>
Non-controlling interest		<b>4,101</b>	3,975
		<hr/>	<hr/>
Total equity		<b>357,157</b>	381,063
		<hr/> <hr/>	<hr/> <hr/>

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

**Tsui Ho Chuen, Philip**  
Director

**Mak Chi Wah**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2025

	Attributable to owners of the parent														
	Issued capital HK\$'000 (note 29)	Share premium account HK\$'000	Merger reserve HK\$'000	Capital contribution <sup>a</sup> HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000 (note 30)	Fair value reserve (non- recycling) HK\$'000	Leasehold land and building revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds** HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
At 1 January 2024	100,000	94,614	(15,017)	2,630	(28,616)	7,292	(500)	179,200	10,485	(39,429)	29,819	103,987	444,465	4,175	448,640
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(47,915)	(47,915)	(69)	(47,984)
Other comprehensive loss for the year:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(19,887)	-	-	(19,887)	(131)	(20,018)	
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(19,887)	-	(47,915)	(67,802)	(200)	(68,002)	
Equity-settled share option arrangements	-	-	-	-	-	425	-	-	-	-	-	425	-	425	
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	(735)	-	-	-	-	735	-	-	-	
At 31 December 2024	<u>100,000</u>	<u>94,614<sup>a</sup></u>	<u>(15,017)<sup>a</sup></u>	<u>2,630<sup>a</sup></u>	<u>(28,616)<sup>a</sup></u>	<u>6,982<sup>a</sup></u>	<u>(500)<sup>a</sup></u>	<u>179,200<sup>a</sup></u>	<u>10,485<sup>a</sup></u>	<u>(59,316)<sup>a</sup></u>	<u>29,819<sup>a</sup></u>	<u>56,807<sup>a</sup></u>	<u>377,088</u>	<u>3,975</u>	<u>381,063</u>

# Consolidated Statement of Changes in Equity

Year ended 31 December 2025

	Attributable to owners of the parent														
	Issued capital HKS'000 (note 29)	Share premium HKS'000	Merger reserve HKS'000	Capital contribution <sup>1</sup> HKS'000	Contributed surplus HKS'000	Share option reserve HKS'000 (note 30)	Fair value reserve (non-recycling) HKS'000	Leasehold land and building revaluation reserve HKS'000	General reserve HKS'000	Exchange fluctuation reserve HKS'000	Reserve funds** HKS'000	Retained profits HKS'000	Total HKS'000	Non-controlling interest HKS'000	Total HKS'000
At 1 January 2025	100,000	94,614	(15,017)	2,630	(28,616)	6,982	(500)	179,200	10,485	(59,316)	29,819	56,807	377,088	3,975	381,063
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(45,982)	(45,982)	(65)	(46,047)
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	21,850	-	-	21,850	191	22,041
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	-	21,850	-	(45,982)	(24,132)	126	(24,006)
Equity-settled share option arrangements	-	-	-	-	-	100	-	-	-	-	-	-	100	-	100
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	(842)	-	-	-	-	-	842	-	-	-
Transferred from retained profits to reserve fund	-	-	-	-	-	-	-	-	-	-	1,964	(1,964)	-	-	-
At 31 December 2025	100,000	94,614 <sup>1</sup>	(15,017) <sup>1</sup>	2,630 <sup>1</sup>	(28,616) <sup>1</sup>	6,240 <sup>1</sup>	(500) <sup>1</sup>	179,200 <sup>1</sup>	10,485 <sup>1</sup>	(37,466) <sup>1</sup>	31,783 <sup>1</sup>	9,703 <sup>1</sup>	353,056	4,101	357,157

<sup>\*\*</sup> 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 in 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.

<sup>#</sup> These reserve accounts comprise the consolidated reserves of HK\$253,056,000 (2024: HK\$277,088,000) in the consolidated statement of financial position.

<sup>^</sup> 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.

# Consolidated Statement of Cash Flows

Year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(46,626)</b>	(49,585)
Adjustments for:			
Finance costs	8	<b>7,223</b>	11,176
Bank interest income	6	<b>(1,117)</b>	(2,134)
Depreciation of property, plant and equipment	7	<b>11,360</b>	12,855
Depreciation of right-of-use assets	7	<b>4,630</b>	4,616
Recognition of deferred income	6	<b>(278)</b>	(278)
Gain on disposal of items of property, plant and equipment, net	6	<b>(658)</b>	(84)
Gain on lease modification	16(c)	<b>(364)</b>	–
Write-off of items of property, plant and equipment	7	<b>6</b>	16
Provision/(reversal of provision) for inventories to net realisable value, net		<b>(233)</b>	290
Fair value losses on investment properties	7	<b>17,125</b>	7,978
Provision/(reversal of provision) for impairment of trade and bills receivables, net	7	<b>(10,470)</b>	24,186
Provision for impairment of right-of-use assets	7	<b>–</b>	2,838
Provision for impairment of deposits for purchases of property, plant and equipment	7	<b>1,246</b>	–
Equity-settled share option expenses, net	30	<b>100</b>	425
		<b>(18,056)</b>	12,299
Decrease in inventories		<b>2,412</b>	8,586
Decrease in trade and bills receivables		<b>52,889</b>	39,101
Decrease/(increase) in prepayments, deposits and other receivables		<b>12,778</b>	(966)
Decrease in trade and bills payables		<b>(42,865)</b>	(65,222)
Decrease in other payables and accruals		<b>(2,807)</b>	(7,472)
Exchange realignment		<b>1,641</b>	(386)
Cash generated from/(used in) operations		<b>5,992</b>	(14,060)
Interest paid		<b>(7,046)</b>	(11,087)
Interest element of lease payments		<b>(249)</b>	(335)
Overseas taxes paid		<b>(12)</b>	(10)
Net cash flows used in operating activities		<b>(1,315)</b>	(25,492)

# Consolidated Statement of Cash Flows

Year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposits paid for purchases of property, plant and equipment		(935)	–
Purchases of items of property, plant and equipment		(687)	(735)
Proceeds from disposal of items of property, plant and equipment		796	84
Interest received		1,117	2,134
Decrease in pledged time deposits		8,591	73,661
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		–	1,140
Net cash flows generated from investing activities		<b>8,882</b>	76,284
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		94,278	82,650
Repayment of bank loans		(92,732)	(113,516)
Repayment of loans from the Parent Group		(92,467)	(49,601)
Receipts of loans from Parent Group		54,467	62,796
Principal portion of lease payments		(3,450)	(3,415)
Net cash flows used in financing activities		<b>(39,904)</b>	(21,086)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		169,252	143,792
Effect of foreign exchange rate changes, net		6,687	(4,246)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	<b>143,602</b>	169,252

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 1. CORPORATE AND GROUP INFORMATION

CPM Group Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands on 19 September 2016. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is situated at 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

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

- manufacture and sale of paint and coating products; and
- property investment (including the investments in properties for rental income)

In the opinion of the directors of the Company (the “Directors”), CNT Group Limited (“CNT Group”), a company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), is the ultimate holding company of the Company.

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

### Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Molybdenum & Vanadium Development Limited	Hong Kong	HK\$1,000	–	100	Investment holding
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK\$200,000 Non-voting deferred HK\$1,761,300	–	100	Manufacture and sale of paint and coating products and investment holding
CP Industries (BVI) Limited	British Virgin Islands (“BVI”)	United States dollars (“US\$”) US\$1,635,512	100	–	Investment holding
Majority Faith Corporation	BVI	US\$1	–	100	Investment holding
Top Dreamer Limited	BVI	US\$1	–	100	Investment holding
R, J & Thomas Secretaries Limited	Hong Kong	HK\$30,000	–	100	Investment holding
中華製漆(深圳)有限公司 The China Paint Manufacturing (Shenzhen) Co., Ltd.# <sup>a</sup>	PRC/ Mainland China	HK\$95,000,000 (2024: HK\$130,000,000)	–	100	Manufacture and sale of paint and coating products and property investment
中華製漆(新豐)有限公司 The China Paint Mfg. Co., (Xinfeng) Ltd.# <sup>a</sup>	PRC/ Mainland China	US\$25,000,000	–	100	Manufacture and sale of paint and coating products

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
長頸鹿製漆(上海)有限公司 Giraffe Paint Mfg. Co., (Shanghai) Ltd. <sup>#^</sup>	PRC/ Mainland China	US\$4,000,000	–	100	Sale of paint and coating products and property investment
長頸鹿製漆(徐州)有限公司 Giraffe Paint Mfg. Co., (Xuzhou) Ltd. <sup>#^</sup>	PRC/ Mainland China	US\$150,000 (2024: US\$2,000,000)	–	100	Manufacture and sale of paint and coating products and property investment
湖北長頸鹿製漆有限公司 Hubei Giraffe Paint Mfg. Co., Ltd. <sup>##^</sup>	PRC/ Mainland China	Renminbi ("RMB") 40,000,000	–	90.5	Manufacture and sale of paint and coating products and property investment
永成環保材料(廣東)有限公司 Yongcheng Eco-friendly Materials (Guangdong) Co., Ltd. <sup>#^</sup>	PRC/ Mainland China	RMB90,000,000	–	100	Manufacture and sale of paint and coating products and property investment

# Wholly foreign-owned enterprises registered under PRC law

## Sino-foreign-owned enterprise registered under PRC law

^ The English names represent management's best effort in translating the Chinese names of these entities as no English names of these entities have been registered.

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosures required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and an equity investment, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amended HKFRS Accounting Standards for the first time for the current year's consolidated financial statements.

Amendments to HKAS 21                      *Lack of Exchangeability*

The nature and the impact of the amended HKFRS Accounting Standards 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 disclosure of information that enable users of financial statements to understand the impact of a currency not being exchangeable. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of entity, where appropriate, at the date of initial application. The amendments to HKFRS Accounting Standards has no material impact on the Group's consolidated financial statements.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements<sup>2</sup></i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures<sup>2</sup></i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>1</sup></i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to HKAS 21 <i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Translation to a Hyperinflationary Presentation Currency<sup>2</sup></i> Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>2</sup> Effective for annual/reporting periods beginning on or after 1 January 2027

<sup>3</sup> No mandatory effective date yet determined but available for adoption

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (continued)

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below:

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's consolidated financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any impact on the Group's consolidated financial statements.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (continued)

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* only apply to contracts that reference nature-dependent electricity and clarify the application of the 'own-use' requirements for in-scope contracts. The amendments to HKFRS 9 will now allow an entity designating a contract referencing nature-dependent electricity as the hedging instrument in a hedge of forecast electricity transactions to designate a variable nominal amount of forecast electricity transactions as the hedged item. HKFRS 7 has been amended to require disclosures relating to contracts that have been excluded from the scope of HKFRS 9 as a result of the amendments. In such cases, an entity must disclose in a single note:

- information about the contractual features that expose the entity to variability in an underlying amount of electricity and the risk that the entity would be required to buy electricity during a delivery interval where it cannot use it.
- information about unrecognised contractual commitments arising from such contracts.
- qualitative and quantitative information about the effects on the entity's financial performance for the reporting period interval which it cannot use.

The HKFRS 7 disclosure amendments must be applied when the HKFRS 9 amendments are applied. The clarifications regarding the 'own-use' requirements must be applied retrospectively without using hindsight, but the guidance permits hedge accounting to be applied prospectively to new hedging relationships designated on or after the date of initial application. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (continued)

*Annual Improvements to HKFRS Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7, nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7, following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's consolidated financial statements.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES

### Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. 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 to the Group. 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

### Related parties

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

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

or

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation

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

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

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

Ownership interests in properties held for own use	2% – 4% or over the lease terms, whichever rate is higher
Leasehold improvements	10% – 33% or over the lease terms, whichever rate is higher
Plant and machinery	9% – 25%
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	18% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Investment properties (continued)

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16 *Property, Plant and Equipment*.

### Leases

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

### Group as a lessee

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

#### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Properties	1 to 3 years
Motor vehicles	5 years
Other equipment	2 to 5 years

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### **Leases** (continued)

#### **Group as a lessee** (continued)

##### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

##### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### **Group as a lessor**

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product improvement and development expenditure which does not meet these criteria is expensed when incurred.

### Investments and other 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 Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group 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 and bills receivables that do not contain a significant financing component or for which the Group 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 Group'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 Group commits to purchase or sell the asset.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### **Subsequent measurement**

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

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

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

#### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

#### *Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### **Derecognition of financial assets** (continued)

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

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

### **Impairment of financial assets**

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### **General approach**

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than one year past due.

The Group considers a financial asset in default when contractual payments are two years past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group’s credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

#### **General approach** (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs, except for trade receivables which apply the simplified approach as detailed below.

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

#### **Simplified approach**

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For receivables from leasing of investment properties, the Group chooses as its accounting policy to adopt the simplified approach to calculate ECLs with policies as described above.

### Financial liabilities

#### **Initial recognition and measurement**

Financial liabilities of the Group are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include a loan from the Parent Group, trade and bills payables, other payables and accruals, interest-bearing bank borrowings and lease liabilities.

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Financial liabilities (continued)

#### **Subsequent measurement**

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

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

#### *Financial liabilities at amortised cost (trade and other payables, interest-bearing loans and borrowings)*

After initial recognition, trade and other payables, interest-bearing loans and borrowings 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 the statement of profit or loss when the liabilities are derecognised, as well as through the effective interest rate amortisation process.

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

#### **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

#### **Derecognition of financial liabilities**

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

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

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

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

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Income tax (continued)

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Revenue recognition

#### *Revenue from contracts with customers*

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

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

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

#### *Sale of paint and coating products*

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

#### *Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms.

#### *Other income*

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

#### *Contract liabilities*

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Employee benefits

#### *Pension schemes and other retirement benefits*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries, which operates in Mainland China, are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### *Share-based payments*

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial option pricing model or other appropriate pricing models.

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

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

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### **Employee benefits** (continued)

#### **Share-based payments** (continued)

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

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

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

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **Events after the reporting period**

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

### **Dividends**

Final dividend is recognised as a liability when the dividend is approved by the shareholders in a general meeting. The proposed final dividend is disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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.

### Judgements

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

#### ***Operating lease commitments – Group as lessor***

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

#### ***Classification between investment properties and owner-occupied properties***

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

### 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:

#### ***Provision for expected credit losses on trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography).

The Group also performs impairment analysis on certain trade and bills receivables at each reporting date by considering the probability of default of the counterparty. The Group takes into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### **Estimation uncertainty** (continued)

#### ***Provision for expected credit losses on trade receivables*** (continued)

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the consolidated financial statements.

#### ***Estimation of the fair value of investment properties***

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

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

The carrying amount of investment properties at 31 December 2025 was HK\$292,167,000 (2024: HK\$295,283,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the consolidated financial statements.

#### ***Write-down of inventories to net realisable value***

The Group's management reviews the condition of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes provision for obsolete items. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of manufacturing and selling products of a similar nature. The Group's management reassesses the estimation at the end of each reporting period.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### **Estimation uncertainty** (continued)

#### ***Provision for income tax***

Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on the interpretation of the relevant tax rules and regulations. The amounts of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

#### ***Leases – Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

#### ***Impairment of non-financial assets***

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

## 5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its 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 purpose 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.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 5. OPERATING SEGMENT INFORMATION (continued)

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.

Year ended 31 December 2025	Paint products HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
Sales to external customers	222,679	18,412	241,091
Other income and gains, net	6,439	32	6,471
	<hr/>	<hr/>	<hr/>
Total	229,118	18,444	247,562
	<hr/>	<hr/>	<hr/>
<b>Segment results</b>	(35,858)	(1,052)	(36,910)
<i>Reconciliation:</i>			
Interest income			1,117
Finance costs			(7,223)
Corporate and other unallocated expenses			(3,610)
			<hr/>
Loss before tax			(46,626)
			<hr/>
<b>Segment assets</b>	391,788	301,125	692,913
<i>Reconciliation:</i>			
Corporate and other unallocated assets			13,762
			<hr/>
Total assets			706,675
			<hr/>
<b>Segment liabilities</b>	309,065	39,244	348,309
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			1,209
			<hr/>
Total liabilities			349,518
			<hr/>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2025	Paint products HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Other segment information</b>			
Depreciation on property, plant and equipment	11,360	–	11,360
Depreciation on right-of-use assets	4,630	–	4,630
Capital expenditure*	1,622	–	1,622*
Fair value losses on investment properties	–	17,125	17,125
Reversal of provision for impairment of trade and bills receivables, net	(10,470)	–	(10,470)
Reversal of provision for inventories to net realisable value, net	(233)	–	(233)
Provision for impairment of deposits for purchases of property, plant and equipment	1,246	–	1,246
Gain on lease modification	(364)	–	(364)
Gain on disposal of items of property, plant and equipment, net	(658)	–	(658)
Write-off of items of property, plant and equipment	6	–	6

\* Capital expenditure consists of additions to property, plant and equipment and deposits for purchases of property, plant and equipment.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2024	Paint products HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
Sales to external customers	298,341	23,011	321,352
Other income and gains, net	5,400	–	5,400
Total	303,741	23,011	326,752
<b>Segment results</b>	(47,788)	12,090	(35,698)
<i>Reconciliation:</i>			
Interest income			2,134
Finance costs			(11,176)
Corporate and other unallocated expenses			(4,845)
Loss before tax			(49,585)
<b>Segment assets</b>	482,223	308,391	790,614
<i>Reconciliation:</i>			
Corporate and other unallocated assets			13,382
Total assets			803,996
<b>Segment liabilities</b>	381,312	39,477	420,789
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			2,144
Total liabilities			422,933

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2024	Paint products HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Other segment information</b>			
Depreciation on property, plant and equipment	12,855	–	12,855
Depreciation on right-of-use assets	4,616	–	4,616
Capital expenditure*	735	–	735*
Fair value losses on investment properties	–	7,978	7,978
Provision for impairment of trade and bills receivables, net	24,186	–	24,186
Provision for impairment of right-of-use assets	2,838	–	2,838
Provision for inventories to net realisable value, net	290	–	290
Gain on disposal of items of property, plant and equipment, net	(84)	–	(84)
Write-off of items of property, plant and equipment	<u>16</u>	<u>–</u>	<u>16</u>

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 5. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

(a) Revenue from external customers

	2025 HK\$'000	2024 HK\$'000
Hong Kong	29,800	57,201
Mainland China	211,291	264,151
	<u>241,901</u>	<u>321,352</u>

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

(b) Non-current assets

	2025 HK\$'000	2024 HK\$'000
Hong Kong	856	855
Mainland China	407,059	419,537
	<u>407,915</u>	<u>420,392</u>

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 years ended 31 December 2025 and 2024, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

## 6. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2025 HK\$'000	2024 HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of paint products	222,679	298,341
<i>Revenue from other sources</i>		
Gross rental income from investment properties	18,412	23,011
	<u>241,091</u>	<u>321,352</u>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 6. REVENUE, OTHER INCOME AND GAINS, NET (continued)

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	2025 HK\$'000	2024 HK\$'000
<b>Type of paint and coating products sold</b>		
Industrial paint and coating products	127,681	151,138
Architectural paint and coating products	37,729	69,933
General paint and coating and ancillary products	57,269	77,270
	<u>222,679</u>	<u>298,341</u>
<b>Geographical markets</b>		
Hong Kong	29,800	57,201
Mainland China	192,879	241,140
	<u>222,679</u>	<u>298,341</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	222,679	298,341

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

	2025 HK\$'000	2024 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of paint and coating products	<u>637</u>	<u>1,192</u>

#### (ii) Performance obligations

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

##### *Sale of paint and coating products*

The performance obligation is satisfied upon delivery of the paint and coating products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

As a practical expedient, the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the consolidated financial statements because all the remaining performance obligations in relation to the sale of paint and coating products are a part of contracts that have an original expected duration of one year or less.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 6. REVENUE, OTHER INCOME AND GAINS, NET (continued)

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

	Notes	2025 HK\$'000	2024 HK\$'000
<b>Other income and gains, net</b>			
Bank interest income		1,117	2,134
Foreign exchange differences, net		–	844
Government grants*		1,603	438
Government subsidies#		798	1,601
Gain on disposal of items of property, plant and equipment, net		658	84
Gain on lease modification	16(c)	364	–
Recognition of deferred income	28	278	278
Others		2,770	2,155
		<u>7,588</u>	<u>7,534</u>
Total other income and gains, net			

\* Government grants have been 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 year ended 31 December 2025, the PRC tax authority granted to the Group the Advanced Manufacturing Tax Credit Initiative amounting to HK\$651,000 (2024: HK\$1,601,000) under the Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration. There were no unfulfilled conditions or contingencies relating to these government subsidies.

In addition, during the year ended 31 December 2025, the PRC Government granted to the Group the Loan Interest Subsidies and Rewards for Specialised and Innovative Small and Medium-Sized Enterprises amounting to HK\$147,000 (2024: Nil) in accordance with the notice issued by the Department of Industry and Information Technology of Guangdong Province. There were no unfulfilled conditions or contingencies relating to these government subsidies.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 7. LOSS BEFORE TAX

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

	Notes	2025 HK\$'000	2024 HK\$'000
Cost of inventories sold		<b>140,513</b>	192,034
Depreciation of property, plant and equipment	14	<b>11,360</b>	12,855
Depreciation of right-of-use assets	16(a)	<b>4,630</b>	4,616
Lease payments not included in the measurement of lease liabilities	16(c)	<b>2,784</b>	2,807
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		<b>1,993</b>	2,436
Auditor's remuneration:			
Audit related services		<b>1,680</b>	2,566
Other services		<b>283</b>	295
		<b>1,963</b>	2,861
Employee benefit expense (including directors' remuneration (note 9)):			
Wages, salaries, bonuses, allowances and welfare		<b>72,317</b>	80,802
Equity-settled share option expenses, net	30	<b>100</b>	425
Pension scheme contributions (defined contribution schemes)#		<b>9,922</b>	9,901
Staff termination cost*		<b>2,039</b>	1,324
		<b>84,378</b>	92,452
Fair value losses on investment properties*	15	<b>17,125</b>	7,978
Foreign exchange differences, net*		<b>1,318</b>	(844)
Gain on disposal of items of property, plant and equipment, net*		<b>(658)</b>	(84)
Gain on lease modification*	16(c)	<b>(364)</b>	–
Product improvement and development		<b>16,077</b>	20,431
Provision/(reversal of provision) for impairment of trade and bills receivables, net	20	<b>(10,470)</b>	24,186
Provision for impairment of right-of-use assets*	16(a)	<b>–</b>	2,838
Provision for impairment of deposits for purchases of property, plant and equipment*	18	<b>1,246</b>	–
Provision/(reversal of provision) for inventories to net realisable value, net®		<b>(233)</b>	290
Write-off of items of property, plant and equipment*	14	<b>6</b>	16

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

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

# At 31 December 2025 and 2024, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 HK\$'000	2024 HK\$'000
Interest on bank loans and other borrowings	6,974	10,841
Interest expense on lease liabilities	249	335
	<u>7,223</u>	<u>11,176</u>

## 9. DIRECTORS' REMUNERATION

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

	2025 HK\$'000	2024 HK\$'000
Fees	1,283	1,400
Other emoluments:		
Salaries, allowances and benefits in kind	7,105	7,630
Discretionary bonuses	1,095	1,255
Equity-settled share option expenses	86	258
Pension scheme contributions	472	487
	<u>8,758</u>	<u>9,630</u>
	<u>10,041</u>	<u>11,030</u>

Certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above Directors' remuneration disclosures.

### (a) Independent non-executive Directors

The fees paid/payable to independent non-executive Directors during the year were as follows:

	2025 HK\$'000	2024 HK\$'000
Chua Joo Bin	200	200
Meng Jinxia	200	200
Xia Jun	200	200
	<u>600</u>	<u>600</u>

There were no other emoluments payable to the independent non-executive Directors during the year (2024: Nil).

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 9. DIRECTORS' REMUNERATION (continued)

### (b) Executive Directors and non-executive Directors

2025	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Equity-settled share option expenses HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Executive Directors:</b>						
Tsui Ho Chuen, Philip	200	5,644	43	1,095	350	7,332
Li Guangzhong	200	1,029	43	–	113	1,385
Mak Chi Wah*	83	432	–	–	9	524
	<u>483</u>	<u>7,105</u>	<u>86</u>	<u>1,095</u>	<u>472</u>	<u>9,241</u>
<b>Non-executive Directors:</b>						
Chong Chi Kwan (resigned on 6 June 2025)	83	–	–	–	–	83
Mak Chi Wah*	117	–	–	–	–	117
	<u>200</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>200</u>
	<u>683</u>	<u>7,105</u>	<u>86</u>	<u>1,095</u>	<u>472</u>	<u>9,441</u>
2024	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Equity-settled share option expenses HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Executive Directors:</b>						
Tsui Ho Chuen, Philip	200	5,644	86	1,095	350	7,375
Li Guangzhong	200	1,026	86	–	119	1,431
Mak Chi Wah	200	960	–	160	18	1,338
	<u>600</u>	<u>7,630</u>	<u>172</u>	<u>1,255</u>	<u>487</u>	<u>10,144</u>
<b>Non-executive Director:</b>						
Chong Chi Kwan	200	–	86	–	–	286
	<u>200</u>	<u>–</u>	<u>86</u>	<u>–</u>	<u>–</u>	<u>286</u>
	<u>800</u>	<u>7,630</u>	<u>258</u>	<u>1,255</u>	<u>487</u>	<u>10,430</u>

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2024: Nil).

\* Mr. Mak Chi Wah was re-designated from executive Director to non-executive Director on 13 June 2025.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included two Directors (2024: two), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are non-Directors for the year are as follows:

	<b>2025</b>	2024
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>7,658</b>	7,644
Discretionary bonuses	<b>1,356</b>	1,356
Pension scheme contributions	<b>36</b>	36
	<b>9,050</b>	9,036

The number of the highest paid employees who are non-Directors whose remuneration fell within the following bands is as follows:

	<b>Number of employees</b>	
	<b>2025</b>	2024
HK\$2,500,001 to HK\$3,000,000	<b>2</b>	2
HK\$3,000,001 to HK\$3,500,000	<b>1</b>	1
	<b>3</b>	3

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the Directors or any of the highest paid employees who are non-Directors as an inducement to join or upon joining the Group or as compensation for loss of office, nor has any Director waived or agreed to waive any emoluments.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 11. 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 current and prior years. 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 were subject to the PRC corporate income tax at a standard rate of 25% (2024: 25%) during the year, 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% (2024: 15%) had been applied during the year.

	Note	2025 HK\$'000	2024 HK\$'000
Current – Elsewhere			
Charge for the year		18	8
Under provision in prior years		–	2
Deferred	27	(597)	(1,611)
Total tax credit for the year		<u>(579)</u>	<u>(1,601)</u>

A reconciliation of the tax credit applicable to loss before tax for the year at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax credit at the effective tax rate is as follows:

	2025 HK\$'000	2024 HK\$'000
Loss before tax	<u>(46,626)</u>	<u>(49,585)</u>
Tax at the statutory tax rate of 16.5% (2024: 16.5%)	(7,693)	(8,182)
Different tax rates for subsidiaries in the PRC, net	(618)	(307)
Adjustments in respect of current tax of previous period	–	2
Income not subject to tax	(257)	(331)
Expenses not deductible for tax	2,003	5,551
Tax losses brought forward from previous periods recognised	–	(1,570)
Tax losses not recognised	6,924	4,826
Effect of withholding tax on the distributable profits of the Group's subsidiaries	(38)	(979)
Others	(900)	(611)
Tax credit at the Group's effective tax rate	<u>(579)</u>	<u>(1,601)</u>

## 12. DIVIDEND

The Directors have resolved not to declare a final dividend for the year ended 31 December 2025 (2024: Nil).

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

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

The calculation of basic and diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$45,982,000 (2024: HK\$47,915,000) and the weighted average number of ordinary shares of 1,000,000,000 (2024: 1,000,000,000) in issue during the year.

Diluted earnings per share calculated by adjusting the weighted average number of ordinary shares outstanding and assuming the conversion of all dilutive potential ordinary shares as adjusted to reflect the dilution effect of the share options issued by the Company. For the years ended 31 December 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.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in properties held for own use HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2025</b>							
At 1 January 2025:							
Cost or valuation	144,026	1,370	23,800	80,416	27,574	11,121	288,307
Accumulated depreciation and impairment	(68,230)	-	(16,577)	(79,099)	(23,592)	(10,023)	(197,521)
Net carrying amount	<u>75,796</u>	<u>1,370</u>	<u>7,223</u>	<u>1,317</u>	<u>3,982</u>	<u>1,098</u>	<u>90,786</u>
At 1 January 2025, net of accumulated depreciation and impairment	75,796	1,370	7,223	1,317	3,982	1,098	90,786
Additions	-	-	325	276	86	-	687
Write-off (note 7)	-	-	-	(3)	(3)	-	(6)
Disposals	-	-	-	-	-	(138)	(138)
Transfer from deposits for purchases of property, plant and equipment (note 18)	-	-	-	-	-	932	932
Depreciation provided during the year (note 7)	(7,105)	-	(1,204)	(1,493)	(1,158)	(400)	(11,360)
Exchange realignment	3,521	66	278	58	123	49	4,095
At 31 December 2025, net of accumulated depreciation and impairment	<u>72,212</u>	<u>1,436</u>	<u>6,622</u>	<u>155</u>	<u>3,030</u>	<u>1,541</u>	<u>84,996</u>
At 31 December 2025:							
Cost or valuation	150,958	1,436	25,182	83,372	28,268	9,081	298,297
Accumulated depreciation and impairment	(78,746)	-	(18,560)	(83,217)	(25,238)	(7,540)	(213,301)
Net carrying amount	<u>72,212</u>	<u>1,436</u>	<u>6,622</u>	<u>155</u>	<u>3,030</u>	<u>1,541</u>	<u>84,996</u>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ownership interests in properties held for own use HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2024							
At 1 January 2024:							
Cost or valuation	148,693	1,414	24,514	86,960	27,883	12,481	301,945
Accumulated depreciation and impairment	(62,726)	-	(15,548)	(79,913)	(22,851)	(10,907)	(191,945)
Net carrying amount	<u>85,967</u>	<u>1,414</u>	<u>8,966</u>	<u>7,047</u>	<u>5,032</u>	<u>1,574</u>	<u>110,000</u>
At 1 January 2024, net of accumulated depreciation and impairment	85,967	1,414	8,966	7,047	5,032	1,574	110,000
Additions	-	-	-	142	593	-	735
Write-off (note 7)	-	-	(2)	(9)	(5)	-	(16)
Depreciation provided during the year (note 7)	(7,584)	-	(1,519)	(1,787)	(1,521)	(444)	(12,855)
Transfer to investment properties (note 15)	-	-	-	(3,959)	-	-	(3,959)
Exchange realignment	(2,587)	(44)	(222)	(117)	(117)	(32)	(3,119)
At 31 December 2024, net of accumulated depreciation and impairment	<u>75,796</u>	<u>1,370</u>	<u>7,223</u>	<u>1,317</u>	<u>3,982</u>	<u>1,098</u>	<u>90,786</u>
At 31 December 2024							
Cost or valuation	144,026	1,370	23,800	80,416	27,574	11,121	288,307
Accumulated depreciation and impairment	(68,230)	-	(16,577)	(79,099)	(23,592)	(10,023)	(197,521)
Net carrying amount	<u>75,796</u>	<u>1,370</u>	<u>7,223</u>	<u>1,317</u>	<u>3,982</u>	<u>1,098</u>	<u>90,786</u>

As at 31 December 2025, certain of the above ownership interests in properties held for own use that had an aggregate net carrying amount of HK\$67,613,000 (2024: HK\$70,863,000) were pledged to secure general banking facilities granted to the Group (note 25).

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 15. INVESTMENT PROPERTIES

	Notes	2025 HK\$'000	2024 HK\$'000
Carrying amount at 1 January		<b>295,283</b>	309,087
Fair value losses	7	<b>(17,125)</b>	(7,978)
Transfer from an owner-occupied property	14	–	3,959
Exchange realignment		<b>14,009</b>	(9,785)
		<hr/>	<hr/>
Carrying amount at 31 December		<b>292,167</b>	295,283

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 in the PRC, based on the nature, characteristics and risks of the properties. The investment properties of the Group were revalued on 31 December 2025 based on the valuations performed by BMI Appraisals Limited, an independent qualified professional valuer, at HK\$292,167,000 (31 December 2024: HK\$295,283,000).

The Group's finance department which reports directly to the senior management, selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair value of the Group's investment properties is generally derived by using the income capitalisation method and the market comparison approach. The Group's finance department has discussions with the external valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

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 valuers' 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 the valuer based on the risk profile of the properties being valued.

The market comparison approach is based on the price by assuming the sale of the property interest in its existing states with reference to comparable sales transactions as available in the relevant market.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 15. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy

The following table illustrates how the fair values of the Group's investment properties are determined (in particular, the valuation technique 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	
				31 December 2025	31 December 2024
Industrial properties in Mainland China	Level 3	Income capitalisation method	Prevailing markets rents (per sq.m. and per month)	<b>RMB7 to RMB45</b>	RMB7 to RMB52
			Capitalisation rates	<b>4.5% to 6.0%</b>	5.0% to 6.0%
Industrial property in Mainland China	Level 3	Market comparison approach	Prevailing markets rates (per sq.m.)	<b>RMB3,773</b>	N/A
		Income capitalisation method	Prevailing markets rents (per sq.m. and per month)	<b>RMB17 to RMB19</b>	RMB17 to RMB19
			Capitalisation rates	<b>5.0% to 5.5%</b>	5.0% to 5.5%
Commercial property in Mainland China	Level 3	Market comparison approach	Prevailing markets rates (per sq.m.)	<b>RMB22,970</b>	N/A
		Income capitalisation method	Prevailing market rents (per sq.m. and per month)	<b>RMB77</b>	RMB77
			Capitalisation rates	<b>4.5% to 5.0%</b>	4.0% to 4.5%

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024: Nil).

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 15. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy (continued)

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.

Under the market comparison approach, a significant increase/(decrease) in the prevailing market rates in isolation would result in a significant increase/(decrease) in the fair value of the investment properties.

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

	<b>Industrial properties in Mainland China</b>	<b>Commercial property in Mainland China</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Carrying amount at 1 January 2024	303,674	5,413	309,087
Fair value losses	(7,184)	(794)	(7,978)
Transfer from an owner-occupied property	3,959	–	3,959
Exchange realignment	(9,623)	(162)	(9,785)
	<u>303,674</u>	<u>5,413</u>	<u>309,087</u>
Carrying amount at 31 December 2024 and 1 January 2025	<b>290,826</b>	<b>4,457</b>	<b>295,283</b>
Fair value losses	<b>(17,015)</b>	<b>(110)</b>	<b>(17,125)</b>
Exchange realignment	<b>13,794</b>	<b>215</b>	<b>14,009</b>
	<u>290,826</u>	<u>4,457</u>	<u>295,283</u>
Carrying amount at 31 December 2025	<b>287,605</b>	<b>4,562</b>	<b>292,167</b>

The investment properties are leased to third parties under operating lease, further summary details of which are included in note 16 of the consolidated financial statements.

As at 31 December 2025, certain investment properties of the Group, with a total carrying value of HK\$195,259,000 (2024: HK\$199,669,000) were pledged to secure general banking facilities granted to the Group (note 25).

Further particulars of the Group's investment properties are included on page 174.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 16. LEASES

### The Group as a lessee

The Group has lease contracts for various items of land, properties and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 3 years. Other equipment generally has lease terms between 2 and 5 years or less, and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Properties HK\$'000	Leasehold land HK\$'000	Other equipment HK\$'000	Total HK\$'000
As at 1 January 2024	5,756	28,809	28	34,593
Additions	3,408	–	–	3,408
Depreciation charge	(3,441)	(1,170)	(5)	(4,616)
Impairment (note 7)	–	(2,838)	–	(2,838)
Exchange realignment	(140)	(851)	–	(991)
As at 31 December 2024 and 1 January 2025	<b>5,583</b>	<b>23,950</b>	<b>23</b>	<b>29,556</b>
Additions	<b>946</b>	–	–	<b>946</b>
Depreciation charge	<b>(3,457)</b>	<b>(1,168)</b>	<b>(5)</b>	<b>(4,630)</b>
Lease modification	<b>(153)</b>	–	–	<b>(153)</b>
Exchange realignment	<b>174</b>	<b>1,126</b>	–	<b>1,300</b>
As at 31 December 2025	<b>3,093</b>	<b>23,908</b>	<b>18</b>	<b>27,019</b>

At 31 December 2025, certain of the right-of-use assets of the Group with an aggregate net carrying amount of HK\$19,209,000 (2024: HK\$19,319,000) were pledged to secure general banking facilities granted to the Group (note 25).

During the year ended 31 December 2025, no impairment loss (2024: HK\$2,838,000) was made for leasehold land (note 7) by management, based on their fair value which was determined by the independent qualified professional valuer.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 16. LEASE (continued)

### The Group as a lessee (continued)

(b) Lease liabilities

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

	2025 HK\$'000	2024 HK\$'000
Carrying amount at 1 January	6,114	6,276
New leases	946	3,408
Accretion of interest recognised during the year	249	335
Lease modification	(517)	–
Payments	(3,699)	(3,750)
Exchange realignment	191	(155)
	<u>3,284</u>	<u>6,114</u>
Carrying amount at 31 December	<u>3,284</u>	<u>6,114</u>
Analysed into:		
Current portion	2,623	3,264
Non-current portion	661	2,850

The maturity analysis of lease liabilities is disclosed in note 39 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 HK\$'000	2024 HK\$'000
Interest on lease liabilities	249	335
Depreciation charge of right-of-use assets	4,630	4,616
Gain on lease modification	(364)	–
Expense relating to short-term leases (included in cost of sales, selling and distribution expenses and administrative expenses)	2,784	2,807
	<u>7,299</u>	<u>7,758</u>
Total amount recognised in profit or loss	<u>7,299</u>	<u>7,758</u>

(d) The total cash outflow for leases is disclosed in note 32(c) to the consolidated financial statements.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 16. LEASE (continued)

### The Group as a lessor

The Group leases its investment properties (note 15), consisting of six industrial properties in Mainland China, one commercial property in Mainland China and one insignificant portion of buildings in Mainland China (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income from the investment properties and an insignificant portion of building recognised by the Group during the year was HK\$18,412,000 and HK\$613,000 (2024: HK\$23,011,000 and HK\$526,000), respectively, details of which are included in note 6 to the consolidated financial statements.

At 31 December 2025, the undiscounted lease payment receivables by the Group in future periods under non-cancellable operating leases with third parties are as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	24,900	23,468
After one year but within two years	26,606	26,859
After two years but within three years	15,340	27,540
After three years but within four years	8,339	15,119
After four years but within five years	5,549	7,889
Over five years	7,304	12,427
	<u>88,038</u>	<u>113,302</u>

## 17. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 HK\$'000	2024 HK\$'000
<b>Equity investment designated at fair value through other comprehensive income</b>		
Unlisted club membership debenture, at fair value	<u>300</u>	<u>300</u>

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature. The fair value of the unlisted club membership debenture held by the Group was based on significant observable inputs.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 18. DEPOSITS FOR PURCHASES OF PROPERTIES, PLANT AND EQUIPMENT

	2025 HK\$'000	2024 HK\$'000
Carrying amount at 1 January	3,971	4,185
Additions	935	–
Transfer to property, plant and equipment (note 14)	(932)	–
Provision for impairment of deposits for purchases of property, plant and equipment (note 7)	(1,246)	–
Exchange realignment	173	(214)
	<u>2,901</u>	<u>3,971</u>
Carrying amount at 31 December	<u>2,901</u>	<u>3,971</u>

As at 31 December 2025, deposits paid of approximately HK\$4,121,000 (2024: HK\$3,931,000), net of provision for impairment of approximately HK\$1,246,000 (2024: Nil) were related to the purchases of property, plant and equipment in Shandong Province, the PRC. The provision for impairment of deposits for purchases of property, plant and equipment has been determined based on fair value less cost of disposal of the properties. The fair values of the deposits paid were determined by reference to the valuation performed by BMI Appraisals Limited, an independent qualified professional valuer. The valuation used the direct comparison method under the market comparison approach. The market comparison approach is common for property valuation. As there are publicly available data on comparable transactions in the market, the direct comparison method is adopted, which is based on the recent transaction prices and/or asking prices of similar properties adjusted for nature, location and conditions of the properties to be transferred to the Group. The key inputs to the valuation are PRC comparables ranging from RMB4,446 to RMB4,468 per sq.m. for the real property portion, RMB1,334 per sq.m. per storage room for the storage portion, and RMB60,000 per carpark space for the carpark portion. If there is significant increase in the key inputs, it would result in a significant increase in the fair value, and vice versa.

The fair value measurement of the deposits paid was categorised at the level 3 hierarchy.

## 19. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials	11,229	12,642
Work in progress	2,989	2,875
Finished goods	3,113	3,147
	<u>17,331</u>	<u>18,664</u>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 20. TRADE AND BILLS RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	162,300	211,265
Bills receivable	28,591	32,040
	<u>190,891</u>	<u>243,305</u>
Impairment	(126,422)	(139,677)
	<u>64,469</u>	<u>103,628</u>

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:

	2025 HK\$'000	2024 HK\$'000
Within three months	43,182	55,670
Over three months and within six months	7,745	7,511
Over six months	13,542	40,447
	<u>64,469</u>	<u>103,628</u>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 20. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

		<b>Trade receivables HK\$'000</b>	<b>Bills receivable HK\$'000</b>	<b>Total HK\$'000</b>
<b>2025</b>	Note			
At beginning of year		<b>109,567</b>	<b>30,110</b>	<b>139,677</b>
Reversal of provision for impairment of trade and bills receivables, net	7	<b>(5,946)</b>	<b>(4,524)</b>	<b>(10,470)</b>
Amount written off as uncollectible		<b>(9,206)</b>	–	<b>(9,206)</b>
Exchange realignment		<b>5,088</b>	<b>1,333</b>	<b>6,421</b>
At end of year		<b>99,503</b>	<b>26,919</b>	<b>126,422</b>
		Trade receivables HK\$'000	Bills receivable HK\$'000	Total HK\$'000
<b>2024</b>	Note			
At beginning of year		91,945	29,619	121,564
Provision for impairment of trade and bills receivables, net	7	22,731	1,455	24,186
Amount written off as uncollectible		(1,987)	–	(1,987)
Exchange realignment		(3,122)	(964)	(4,086)
At end of year		109,567	30,110	139,677

### Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

An additional impairment analysis is performed for higher default risk trade receivables. The loss allowance was measured at an amount equal to lifetime expected credit loss under the simplified approach by considering the probability of default of counterparties. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting dates about past events, current conditions and forecasts of future economic conditions. As at 31 December 2025, the probability of default applied ranged from 81.7% to 100% (2024: 47.7% to 100.0%) and the loss given default ranged from 58.6% to 100% (2024: 89.7% to 100.0%).

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 20. TRADE AND BILLS RECEIVABLES (continued)

### Trade receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables:

#### As at 31 December 2025

	Credit-Impaired Receivables	Current	Past-due			Total
			Within 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	100.0%	3.8%	9.4%	24.7%	91.1%	61.3%
Gross carrying amount (HK\$'000)	11,699	45,231	8,915	3,936	92,519	162,300
Expected credit losses (HK\$'000)	11,699	1,709	839	972	84,284	99,503

#### As at 31 December 2024

	Credit-Impaired Receivables	Current	Past-due			Total
			Within 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	100.0%	4.4%	13.4%	34.1%	72.2%	51.9%
Gross carrying amount (HK\$'000)	19,095	58,466	12,006	4,218	117,480	211,265
Expected credit losses (HK\$'000)	19,095	2,597	1,605	1,437	84,833	109,567

### Bills receivable

An impairment analysis is performed at each reporting date by considering the probability of default of counterparties. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As at 31 December 2025, the probability of default applied ranged from 35.8% to 100.0% (2024: 32.6% to 100.0%) and the loss given default was estimated to be 61.1% to 100.0%. (2024: 61.5% to 100.0%).

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Prepayments	3,520	3,228
Deposits and other receivables	38,174	49,130
	<b>41,694</b>	<b>52,358</b>
Analysed into:		
Current portion	40,862	51,562
Non-current portion	832	796

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2025 and 2024, the loss allowance was assessed to be minimal.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2025 HK\$'000	2024 HK\$'000
Cash and bank balances	143,602	169,252
Time deposits:		
– with original maturity of more than three months when acquired	14,691	22,207
Less: Pledged time deposits		
– with original maturity of more than three months when acquired	(14,691)	(22,207)
	<u>143,602</u>	<u>169,252</u>

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK\$152,569,000 (2024: HK\$169,598,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for periods of between one week and one year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

As at 31 December 2025, time deposits amounted to HK\$14,691,000 (2024: HK\$21,570,000) that were pledged for securing the Group's bills payable, and nil (2024: HK\$637,000) were pledged for securing the performance bonds issued by the bank to customers on certain sales projects on behalf of the Group as guarantees (note 33).

## 23. 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:

	2025 HK\$'000	2024 HK\$'000
Within three months	38,845	49,975
Over three months and within six months	25,165	34,389
Over six months	23,413	41,073
	<u>87,423</u>	<u>125,437</u>

As at 31 December 2025, except for bills payable with an aggregate carrying amount of HK\$47,777,000 (2024: HK\$69,483,000) were secured by time deposits of HK\$14,691,000 (2024: HK\$21,570,000), the remaining balances are unsecured, non-interest-bearing and normally settled within two months.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 24. OTHER PAYABLES AND ACCRUALS

	Notes	2025 HK\$'000	2024 HK\$'000
Deferred income	28	66	283
Contract liabilities	(a)	2,035	1,121
Other payables	(b)	31,140	28,932
Accruals		13,986	18,399
		<u>47,227</u>	<u>48,735</u>
Portion classified as current liabilities		<u>(43,034)</u>	<u>(44,715)</u>
		<u>4,193</u>	<u>4,020</u>

Notes:

- (a) Details of contract liabilities are as follows:

	31 December 2025 HK\$'000	31 December 2024 HK\$'000	1 January 2024 HK\$'000
<b>Short-term advances received from customers</b>			
Sale of paint and coating products	<u>2,035</u>	<u>1,121</u>	<u>1,519</u>

Contract liabilities include advances received to deliver paint and coating products. The changes in contract liabilities in 2025 and 2024 were mainly due to the increase in sales orders, received from customers in relation to sales of paint and coating products near year-end whereas the Group had not yet delivered the products to customers.

- (b) The other payables are non-interest-bearing and have an average term of three months.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 25. INTEREST-BEARING BANK BORROWINGS

	31 December 2025			31 December 2024		
	Effective interest rate per annum (%)	Maturity	HK\$'000	Effective interest rate per annum (%)	Maturity	HK\$'000
Bank loans – secured	2.7– 4.1	2026-2028	75,159	3.5-3.8	2025 –2027	67,075
Bank loans – unsecured	4.5	2026	18,000	5.9	2026	21,000
			<b>93,159</b>			<b>88,075</b>

	2025 HK\$'000	2024 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	27,271	88,075
Between one and two years	51,647	–
Between two and five years	14,241	–
	<b>93,159</b>	88,075
Portion classified as current liabilities	<b>(27,271)</b>	(88,075)
Non-current portion	<b>65,888</b>	–

Notes:

- (a) Certain bank loans of HK\$24,000,000 (2024: HK\$88,075,000), which included a repayment on demand clause, were part of the total bank loans of HK\$93,159,000 (2024: HK\$88,075,000) and had been included in total current liabilities as at 31 December 2025. According to the year ended 31 December 2024, for the purpose of the above analysis, the bank loans due for repayment after one year, were analysed into bank loans repayable within one year or on demand as at the end of the reporting period.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank borrowings, the bank borrowings as at 31 December 2025 and 2024 are repayable:

	2025 HK\$'000	2024 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	27,271	36,960
In the second year	51,647	20,738
In the third to fifth years, inclusive	14,241	30,377
	<b>93,159</b>	88,075

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 25. INTEREST-BEARING BANK BORROWINGS (continued)

Notes: (continued)

- (b) The Group's bank loans are secured by:
- (i) the Group's ownership interests in properties held for own use with an aggregate net book value of HK\$67,613,000 (note 14) as at 31 December 2025 (2024: HK\$70,863,000);
  - (ii) the Group's investment properties with an aggregate carrying value of HK\$195,259,000 (note 15) as at 31 December 2025 (2024: HK\$199,669,000);
  - (iii) the Group's ownership interests in right-of-use assets with aggregate net book values of HK\$19,209,000 (note 16(a)) as at 31 December 2025 (2024: HK\$19,319,000); and
  - (iv) investment properties and certain portion of a building and carparks held by the Parent Group as at 31 December 2025 and 2024.
- (c) During the year ended 31 December 2025, except for the secured bank loans with an aggregate carrying value of HK\$69,159,000 which are denominated in RMB, the Group's other bank borrowings are all denominated in HK\$.

During the year ended 31 December 2024, except for the secured bank loans with an aggregate carrying value of HK\$67,075,000 which are denominated in RMB, the Group's other bank borrowing is all denominated in HK\$.

## 26. LOANS FROM THE PARENT GROUP

	31 December 2025			31 December 2024		
	Effective interest rate per annum (%)	Maturity	HK\$'000	Effective interest rate per annum (%)	Maturity	HK\$'000
<b>Non-Current</b>						
Loans – unsecured	5.0 – 5.1	2027-2028	71,491	5.1 – 6.2	2026-2027	107,897
			<u>71,491</u>			<u>107,897</u>

Analysed into:

- Loans from the Parent Group repayable:
- Within one year or on demand
  - In the second year
  - In the third to fifth years, inclusive

	2025 HK\$'000	2024 HK\$'000
	–	–
	16,689	62,000
	54,802	45,897
	<u>71,491</u>	<u>107,897</u>

Notes:

- (a) The above loans from the Parent Group of HK\$71,491,000 (2024: HK\$107,897,000) do not contain repayment on demand clause.
- (b) Except for the 5.0-5.1% (2024: 5.1-5.5%) unsecured loans from the Parent Group with an aggregate carrying value of HK\$34,491,000 (2024: HK\$32,897,000) which are denominated in RMB, the other unsecured loans from the Parent Group are all denominated in HK\$.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 27. DEFERRED TAX

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

### Deferred tax liabilities

	Right-of-use assets		Revaluation of properties		Withholding taxes		Depreciation allowance in excess of related depreciation		Other		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	778	713	31,390	33,947	1,017	2,048	4,084	2,535	1,364	1,131	38,633	40,374
Deferred tax charged/ (credited) to the statement of profit or loss during the year*	(414)	86	(3,111)	(1,516)	(38)	(979)	1,575	1,664	(342)	273	(2,330)	(472)
Exchange realignment	26	(21)	1,444	(1,041)	48	(52)	241	(115)	63	(40)	1,822	(1,269)
Gross deferred tax liabilities at 31 December	<u>390</u>	<u>778</u>	<u>29,723</u>	<u>31,390</u>	<u>1,027</u>	<u>1,017</u>	<u>5,900</u>	<u>4,084</u>	<u>1,085</u>	<u>1,364</u>	<u>38,125</u>	<u>38,633</u>

### Deferred tax assets

	Lease liabilities		ECLs impairment#		Losses available for offsetting against future taxable profits		Depreciation in excess of related depreciation allowance		Accruals		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	852	785	2,321	2,863	14,093	12,950	1,403	1,422	100	195	18,769	18,215
Deferred tax credited/ (charged) to the statement of profit or loss during the year*	(466)	90	(478)	(457)	(792)	1,570	(26)	26	29	(90)	(1,733)	1,139
Exchange realignment	29	(23)	102	(85)	655	(427)	67	(45)	6	(5)	859	(585)
Gross deferred tax assets at 31 December	<u>415</u>	<u>852</u>	<u>1,945</u>	<u>2,321</u>	<u>13,956</u>	<u>14,093</u>	<u>1,444</u>	<u>1,403</u>	<u>135</u>	<u>100</u>	<u>17,895</u>	<u>18,769</u>

\* Net deferred tax credited to the consolidated statement of profit or loss for the year ended 31 December 2025 amounted to HK\$597,000 (2024: HK\$1,611,000) (note 11).

# ECLs impairment for trade and bills receivables, as well as deposits for the purchases of property, plant, and equipment, were accounted for the year ended 31 December 2025, while ECLs impairment for trade and bills receivables were reported for the year ended 31 December 2024.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 27. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<b>2025</b> <b>HK\$'000</b>	2024 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>17,505</b>	17,991
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>37,735</b>	37,855

At the end of the reporting period, deferred tax assets arising in certain of the Group's subsidiaries have not been recognised in respect of tax losses arising in Hong Kong of HK\$497.6 million (2024: HK\$464.1 million), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely and in Mainland China of HK\$153.0 million (2024: HK\$127.9 million) that are available for (i) all subsidiaries for a maximum of five years, except for (ii) those subsidiaries that qualify as PRC High and New Technology Enterprises, which are eligible for a maximum of ten years. These subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2025, deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$67.3 million (2024: HK\$117.3 million) at 31 December 2025.

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

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 28. DEFERRED INCOME

	Notes	2025 HK\$'000	2024 HK\$'000
Carrying amount at 1 January		335	626
Recognised during the year	6	(278)	(278)
Exchange realignment		9	(13)
		<hr/>	<hr/>
Carrying amount at 31 December		66	335
Portion classified as current liabilities	24	(66)	(283)
		<hr/>	<hr/>
Non-current portion		–	52
		<hr/> <hr/>	<hr/> <hr/>

As an arrangement of attracting foreign investments in Xuzhou, the PRC, the Group entered into certain agreements (the “Xuzhou Agreements”) with the Xuzhou Economic Development Zone Committee (“徐州經濟開發區管委會”) (the “Xuzhou Authority”, under the municipal government of Xuzhou) on 10 April 2004. Pursuant to the Xuzhou Agreements, the Xuzhou Authority arranged the construction of the plant and office buildings for Giraffe Paint Mfg. Co., (Xuzhou) Ltd., a manufacturing subsidiary of the Group (the “Xuzhou Subsidiary”) and also provided the required funding to the Xuzhou Subsidiary for the construction in the form of a loan to the Xuzhou Subsidiary (the “Construction Loan”).

The construction of the plant and office buildings was completed, and the plant and office buildings were handed over to the Group for the solvent operation in July 2005. On 25 June 2007, the Group entered into certain revised agreements with the Xuzhou Authority to finalise the land premium payable at RMB4,793,000 for the parcel of land on which the plant and office buildings were constructed and waived the same amount of the Construction Loan. The amount was recorded as deferred income and is recognised in the consolidated statement of profit or loss over the weighted average useful life of the buildings and plant and machinery of the Xuzhou Subsidiary, whose construction was financed by the Construction Loan.

## 29. SHARE CAPITAL

### Shares

	2025 HK\$'000	2024 HK\$'000
Authorised:		
8,000,000,000 (2024: 8,000,000,000) ordinary shares of HK\$0.10 each	<hr/> <b>800,000</b> <hr/>	<hr/> 800,000 <hr/>
Issued and fully paid:		
1,000,000,000 (2024: 1,000,000,000) ordinary shares of HK\$0.10 each	<hr/> <b>100,000</b> <hr/>	<hr/> 100,000 <hr/>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 30. 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.

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 option 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 option; (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 option; 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 meetings of the Company.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 30. SHARE OPTION SCHEME (continued)

The summary below sets forth the details of movement of share options granted as at 31 December 2025 pursuant to the Scheme:

### As at 31 December 2025

	Date of grant	Exercise period (Notes)	Exercise price per share HK\$	Number of shares options				
				Outstanding as at 1 January 2025	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Outstanding as at 31 December 2025
<b>Executive Directors</b>								
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
<b>Former Non-Executive Director</b>								
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	(10,000,000)	-
<b>Employees</b>								
	15 June 2022	15 June 2022 to 14 June 2027	0.335	40,000,000	-	-	-	40,000,000
<b>Total</b>				<b>70,000,000</b>	<b>-</b>	<b>-</b>	<b>(10,000,000)</b>	<b>60,000,000</b>

The summary below sets forth the details of movement of share options granted as at 31 December 2024 pursuant to the Scheme:

### As at 31 December 2024

	Date of grant	Exercise period (Notes)	Exercise price per share HK\$	Number of shares options				
				Outstanding as at 1 January 2024	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Outstanding as at 31 December 2024
<b>Executive Directors</b>								
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
<b>Non-Executive Director</b>								
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	-	-	-	10,000,000
<b>Employees</b>								
	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	-	-	(10,000,000)	40,000,000
<b>Total</b>				<b>80,000,000</b>	<b>-</b>	<b>-</b>	<b>(10,000,000)</b>	<b>70,000,000</b>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 30. SHARE OPTION SCHEME (continued)

Notes:

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

- (a) 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;
- (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 to 14 June 2027;
- (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 to 14 June 2027;
- (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 to 14 June 2027; and
- (e) 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.

As one of the Directors resigned during the year ended 31 December 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 year ended 31 December 2025.

In addition, as one of the employees resigned during the year ended 31 December 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 year ended 31 December 2024.

No share options were granted under the Scheme during the years ended 31 December 2025 and 2024. The net share option expenses of approximately HK\$100,000 was recognised during the year ended 31 December 2025 (31 December 2024: HK\$425,000).

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 consolidated 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.

## 31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 98 and 99 of this Annual Report.

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$946,000 (2024: HK\$3,408,000) and HK\$946,000 (2024: HK\$3,408,000), respectively in respect of lease arrangements for properties.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Changes in liabilities arising from financing activities

	Loans from the Parent Group HK\$'000	2025 Interest- bearing bank borrowings HK\$'000	Lease liabilities HK\$'000
At 1 January 2025	107,897	88,075	6,114
Changes from financing cash flows	(38,000)	1,546	(3,450)
New leases	–	–	946
Interest expenses	–	–	249
Interest paid classified as operating cash flows	–	–	(249)
Lease modification	–	–	(517)
Foreign exchange movement	1,594	3,538	191
	<u>71,491</u>	<u>93,159</u>	<u>3,284</u>
At 31 December 2025			
		2024	
	Loans from the Parent Group HK\$'000	Interest- bearing bank borrowings HK\$'000	Lease liabilities HK\$'000
At 1 January 2024	95,970	120,745	6,276
Changes from financing cash flows	13,195	(30,866)	(3,415)
New leases	–	–	3,408
Interest expenses	–	–	335
Interest paid classified as operating cash flows	–	–	(335)
Foreign exchange movement	(1,268)	(1,804)	(155)
	<u>107,897</u>	<u>88,075</u>	<u>6,114</u>
At 31 December 2024			

### (c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2025 HK\$'000	2024 HK\$'000
Within operating activities	3,033	3,142
Within financing activities	3,450	3,415
	<u>6,483</u>	<u>6,557</u>

## 33. CONTINGENT LIABILITIES

At the end of the current and prior years, contingent liabilities not provided for in the consolidated financial statements were as follows:

	2025 HK\$'000	2024 HK\$'000
Guarantees given to the bank for:		
Performance bonds	–	637
	<u>–</u>	<u>637</u>

No performance bonds were secured by the pledged deposits as at 31 December 2025 (2024: HK\$637,000).

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payable, and bank borrowings are included in notes 22, 23 and 25, respectively, to the consolidated financial statements.

## 35. CAPITAL COMMITMENTS

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

	2025 HK\$'000	2024 HK\$'000
Contracted, but not provided for:		
Construction and purchases of items of property, plant and equipment	<b>1,288</b>	1,222

## 36. RELATED PARTY TRANSACTIONS

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

	Notes	2025 HK\$'000	2024 HK\$'000
Lease payments paid to the Parent Group	(i)	<b>2,032</b>	2,093
Pledge fees paid to the Parent Group	(ii)	<b>545</b>	545
Interest expenses paid to the Parent Group	(iii)	<b>2,976</b>	5,977

- (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. Further details of loans from the Parent Group are included in note 26 to the consolidated financial statements.

(b) During the years ended 31 December 2025 and 2024, the transactions in respect of item (a)(i), (a)(ii) and (a)(iii), above are also a continuing connected transaction 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

	2025 HK\$'000	2024 HK\$'000
Short-term employment benefits	<b>8,774</b>	10,179
Post-employment benefits	<b>472</b>	487
Equity-settled share option expenses	<b>86</b>	172
Total compensation paid to key management personnel	<b>9,332</b>	10,838

Further details of Directors' remuneration are included in note 9 to the consolidated financial statements.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

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

**31 December 2025**

### Financial assets

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
Equity investment designated at fair value through other comprehensive income	–	300	300
Trade and bills receivables	64,469	–	64,469
Financial assets included in prepayments, deposits and other receivables	3,104	–	3,104
Pledged deposits	14,691	–	14,691
Cash and cash equivalents	143,602	–	143,602
	<u>225,866</u>	<u>300</u>	<u>226,166</u>

### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	87,423
Financial liabilities included in other payables and accruals	33,306
Lease liabilities	3,284
Interest-bearing bank and other borrowings	164,650
	<u>288,663</u>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

31 December 2024

### Financial assets

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
Equity investment designated at fair value through other comprehensive income	–	300	300
Trade and bills receivables	103,628	–	103,628
Financial assets included in prepayments, deposits and other receivables	3,200	–	3,200
Pledged deposits	22,207	–	22,207
Cash and cash equivalents	169,252	–	169,252
	<u>298,287</u>	<u>300</u>	<u>298,587</u>

### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	125,437
Financial liabilities included in other payables and accruals	24,700
Lease liabilities	6,114
Interest-bearing bank and other borrowings	195,972
	<u>352,223</u>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 38. 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 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 the fair values:

The fair value of the non-current portion of financial assets included in prepayments, deposits and other receivables 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 value of the equity investment designated at fair value through other comprehensive income is based on observable inputs.

### Fair value hierarchy

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

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

### Liabilities measured at fair value:

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

During the year, 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 (2024: Nil).

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and loans from the Parent Group, and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as trade and bills receivables, deposits and other receivables, equity investment designated at fair value through other comprehensive income, pledged deposits, trade and bills payables, other payables and accruals, and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policies for managing each of these risks are summarised below.

### Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short-term in nature whereas interest-bearing financing liabilities are mainly bank borrowings and loans from the Parent Group with primarily floating interest rates. The Group is therefore exposed to interest rate risk. The Group's policy is to obtain the most favourable interest rates available.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on deposits with banks and floating rate borrowings). There is no impact on the Group's equity, except on the retained profits.

	<b>Increase/ (decrease) in basis points</b>	<b>Increase/ (decrease) in loss before tax HK\$'000</b>
<b>2025</b>		
HK\$	50	473
RMB	50	(289)
HK\$	(50)	(473)
RMB	(50)	289
	<u>50</u>	<u>289</u>
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK\$'000
<b>2024</b>		
HK\$	50	637
RMB	50	(460)
HK\$	(50)	(637)
RMB	(50)	460
	<u>50</u>	<u>460</u>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's main operating subsidiaries are located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in HK\$ and RMB. The Group also has significant investments in Mainland China and its consolidated statement of financial position, with a portion of its bank deposits, trade and bills receivables and payables denominated in currencies other than the functional currencies of the operating subsidiaries, can be affected by movements in the exchange rate between HK\$ and RMB.

The following tables demonstrate the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (arising from RMB-denominated financial instruments).

	Increase/ (decrease) in RMB exchange rate %	Increase/ (decrease) in loss before tax HK\$'000
<b>2025</b>		
If HK\$ weakens against RMB	5	(1,398)
If HK\$ strengthens against RMB	(5)	1,398
	Increase/ (decrease) in RMB exchange rate %	Increase/ (decrease) in loss before tax HK\$'000
<b>2024</b>		
If HK\$ weakens against RMB	5	153
If HK\$ strengthens against RMB	(5)	(153)

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	162,300	162,300
Bills receivable*	–	–	–	28,591	28,591
Financial assets included in prepayments, deposits and other receivables					
– Normal**	3,104	–	–	–	3,104
Pledged deposits – Not yet past due	14,691	–	–	–	14,691
Cash and cash equivalents					
– Not yet past due	143,602	–	–	–	143,602
	<b>161,397</b>	<b>–</b>	<b>–</b>	<b>190,891</b>	<b>352,288</b>

#### As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	211,265	211,265
Bills receivable*	32,040	–	–	–	32,040
Financial assets included in prepayments, deposits and other receivables					
– Normal**	3,200	–	–	–	3,200
Pledged deposits – Not yet past due	22,207	–	–	–	22,207
Cash and cash equivalents					
– Not yet past due	169,252	–	–	–	169,252
	<b>226,699</b>	<b>–</b>	<b>–</b>	<b>211,265</b>	<b>437,964</b>

\* For trade receivables and bills receivables, impairment analysis is disclosed in note 20 to the consolidated financial statements.

\*\* The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group's policy is to regularly monitor the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in the short and long terms.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or within one year HK\$'000	In the second to fifth years HK\$'000	Total HK\$'000
<b>2025</b>			
Trade and bills payables	87,423	–	87,423
Financial liabilities included in other payables and accruals	33,306	–	33,306
Interest-bearing bank and other borrowings*	33,142	144,988	178,130
Lease liabilities	2,717	670	3,387
	<u>156,588</u>	<u>145,658</u>	<u>302,246</u>
	On demand or within one year HK\$'000	In the second to fifth years HK\$'000	Total HK\$'000
<b>2024</b>			
Trade and bills payables	125,437	–	125,437
Financial liabilities included in other payables and accruals	24,700	–	24,700
Interest-bearing bank and other borrowings*	88,075	107,897	195,972
Lease liabilities	3,556	2,930	6,486
	<u>241,768</u>	<u>110,827</u>	<u>352,595</u>

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

\* Included in the above interest-bearing bank and other borrowings of the Group are bank loans and loans from the Parent Group with an aggregate carrying amount as at 31 December 2025 of HK\$178,130,000 (2024: HK\$195,972,000), certain banking facility letters of which contain a repayment on-demand clause giving creditor banks of the bank loans the right to call in the bank loans at any time. Accordingly, for the purpose of the above maturity profile, the contractual undiscounted payment of such bank loans of the Group are classified as "on demand or within one year" and "in the second to fifth years".

In accordance with the terms of the bank loans which contain a repayment on demand clause, the maturity profile of those loans as at 31 December, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause is as follows:

	On demand or within one year HK\$'000	In the second to fifth years HK\$'000	Total HK\$'000
<b>31 December 2025</b>	<b>33,800</b>	<b>144,988</b>	<b>178,788</b>
31 December 2024	46,030	169,265	215,295

Notwithstanding the above clause, the Directors do not believe that such bank loans will be called in their entirety within 12 months at the end of the reporting period and they consider that the loans will be repaid in accordance with the maturity dates as set out in the banking facility letters. This evaluation was made considering: the financial position of the Group at the date of approval of the consolidated financial statements, the lack of events of defaults, and the fact that the Group has made all previously scheduled repayments on time.

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

The Group monitors capital using a gearing ratio, which is bank and other borrowings divided by equity attributable to owners of the parent. The gearing ratio as at the end of the reporting period was as follows:

	2025 HK\$'000	2024 HK\$'000
Bank and other borrowings	164,650	195,972
Equity attributable to owners of the parent	353,056	377,088
Gearing ratio	46.6%	52.0%

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	<b>2025</b> <b>HK\$'000</b>	2024 HK\$'000
NON-CURRENT ASSET		
Investment in a subsidiary	<b>27,094</b>	27,094
CURRENT ASSETS		
Prepayments	<b>282</b>	229
Loan to a subsidiary	<b>165,120</b>	156,586
Due from subsidiaries	<b>61,435</b>	60,244
Cash and cash equivalents	<b>12,675</b>	12,346
Total current assets	<b>239,512</b>	229,405
CURRENT LIABILITIES		
Other payables and accruals	<b>1,180</b>	2,115
Due to fellow subsidiaries	<b>814</b>	777
Total current liabilities	<b>1,994</b>	2,892
NET CURRENT ASSETS	<b>237,518</b>	226,513
Net assets	<b>264,612</b>	253,607
EQUITY		
Issued capital	<b>100,000</b>	100,000
Reserves (note)	<b>164,612</b>	153,607
Total equity	<b>264,612</b>	253,607

# Notes to Consolidated Financial Statements

Year ended 31 December 2025

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2024	94,614	17,094	7,292	24,247	143,247
Total comprehensive income for the year	–	–	–	9,935	9,935
Equity-settled share option arrangement	–	–	425	–	425
Transfer of share option reverse upon the lapse of share options	–	–	(735)	735	–
At 31 December 2024 and 1 January 2025	<b>94,614</b>	<b>17,094</b>	<b>6,982</b>	<b>34,917</b>	<b>153,607</b>
Total comprehensive income for the year	–	–	–	10,905	10,905
Equity-settled share option arrangement	–	–	100	–	100
Transfer of share option reverse upon the lapse of share options	–	–	(842)	842	–
At 31 December 2025	<b>94,614</b>	<b>17,094</b>	<b>6,240</b>	<b>46,664</b>	<b>164,612</b>

## 41. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

## 42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of Directors on 27 March 2026.

# Schedule of Principal Properties

## INVESTMENT PROPERTIES

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use	Gross floor area
Nos. 3889 and 3899 Waiqingsong Highway Qingpu District Shanghai the PRC	100	Medium term	Industrial	6,674.9 sq.m.
22 Jinshui Road Xuzhou Economic Development Zone Xuzhou Jiangsu Province the PRC	100	Medium term	Industrial	3,661.4 sq.m.
Yabian Industrial Zone Shajing Town Bao'an District Shenzhen City the PRC	100	Medium term	Industrial	36,276.1 sq.m.
The intersection of Road No.4 and Road No.3 in South of Gedian Development Zone Ezhou City Hubei Province the PRC	100	Medium term	Industrial	4,483.7 sq.m.
Jiemin Village Sanjiao Town Zhongshan City Guangdong Province the PRC	100	Medium term	Industrial	10,409.6 sq.m.
Road No.4 Industrial Park No.2 Gedian Development Zone Ezhou City Hubei Province the PRC	90.5	Medium term	Industrial	14,608.7 sq.m.
Room 703, 7/F., Building 13 of Keenstar Bao'an District Shenzhen City the PRC	100	Medium term	Commercial	180.9 sq.m.

# Glossary

AC Chairman	The chairman of the Audit Committee
AC or Audit Committee	The audit committee of the Board
AGM	Annual general meeting of the Company
Articles	The articles of association of the Company
Board	The board of Directors
CG Code	The Corporate Governance Code contained in Part 2 of Appendix C1 to the Listing Rules
Chairman	The chairman of the Company
China Paint (1932)	The China Paint Manufacturing Company (1932) Limited, a wholly-owned subsidiary of the Company
China Paint (Shenzhen)	The China Paint Manufacturing (Shenzhen) Co., Ltd. (中華製漆(深圳)有限公司), a wholly-owned subsidiary of the Company
China Paint (Xinfeng)	The China Paint Mfg. Co., (Xinfeng) Ltd. (中華製漆(新豐)有限公司), a wholly-owned subsidiary of the Company
Company	CPM Group Limited
Company Secretary	The company secretary of the Company
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Invested Entity	Any entity in which any member of the Group holds any equity interest
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Managing Director	The managing director of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
NC Chairman	The chairman of the Nomination Committee
NC or Nomination Committee	The nomination committee of the Board

# Glossary

PRC	The People's Republic of China
RC Chairman	The chairman of the Remuneration Committee
RC or Remuneration Committee	The remuneration committee of the Board
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of HK\$0.10 each in the capital of the Company
Share Option Scheme	The share option scheme adopted by the Company on 4 June 2020
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder(s)	has the same meaning as defined in the Listing Rules
treasury shares	has the same meaning as defined in the Listing Rules
Yongcheng Eco-friendly	永成環保材料(廣東)有限公司 (Yongcheng Eco-friendly Materials (Guangdong) Co., Ltd.*), a wholly-owned subsidiary of the Company

\* For identification purpose only



中漆集團有限公司  
CPM GROUP LIMITED