中漆集團有限公司
CPM GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1932)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2025	2024	Change
Results	**HK$'000**	HK$'000	%
Revenue	**241,091**	321,352	-25.0
Gross profit	**100,578**	129,318	-22.2
Gross profit margin	**41.7%**	40.2%	3.7
Loss attributable to shareholders of the Company	**(45,982)**	(47,915)	-4.0
Loss per share (HK cents) Basic and diluted	**(4.60)**	(4.79)	-4.0

	As at 31 December 2025	As at 31 December 2024	Change
Financial Position	**HK$'000**	HK$'000	%
Cash and cash equivalents and pledged deposits	**158,293**	191,459	-17.3
Bank and other borrowings	**164,650**	195,972	-16.0
Gearing ratio	**46.6%**	52.0%	-10.4
Net asset value per share (HK$)	**0.36**	0.38	-5.3

The board (the "Board") of directors (the "Directors") of CPM Group Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2025 together with comparative amounts for the corresponding year in 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2025

	Notes	**2025** **HK$'000**	2024 HK$'000
REVENUE	4	**241,091**	321,352
Cost of sales		**(140,513)**	(192,034)
Gross profit		**100,578**	129,318
Other income and gains, net	4	**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	6	**10,470**	(24,186)
Other expenses, net		**(29,309)**	(20,701)
Finance costs	5	**(7,223)**	(11,176)
LOSS BEFORE TAX	6	**(46,626)**	(49,585)
Income tax credit	7	**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	8		
Basic and diluted		**HK (4.60) cents**	HK (4.79) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	**2025 HK$'000**	2024 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**84,996**	90,786
Investment properties	11	**292,167**	295,283
Right-of-use assets		**27,019**	29,556
Equity investment designated at fair value through other comprehensive income		**300**	300
Deposits for purchases of property, plant and equipment		**2,901**	3,971
Deposits and prepayments		**832**	796
Deferred tax assets		**17,505**	17,991
Total non-current assets		**425,720**	438,683
CURRENT ASSETS			
Inventories		**17,331**	18,664
Trade and bills receivables	12	**64,469**	103,628
Prepayments, deposits and other receivables		**40,862**	51,562
Pledged deposits		**14,691**	22,207
Cash and cash equivalents		**143,602**	169,252
Total current assets		**280,955**	365,313
CURRENT LIABILITIES			
Trade and bills payables	13	**87,423**	125,437
Other payables and accruals		**43,034**	44,715
Interest-bearing bank borrowings		**27,271**	88,075
Lease liabilities		**2,623**	3,264
Tax payable		**9,199**	8,768
Total current liabilities		**169,550**	270,259
NET CURRENT ASSETS		**111,405**	95,054
TOTAL ASSETS LESS CURRENT LIABILITIES		**537,125**	533,737

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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 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, CNT Group Limited, a company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited 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”.

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, 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.

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 financial statements.

3. OPERATING SEGMENT INFORMATION

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

(a) the paint products segment engages in the manufacture and sale of paint and coating products; and

(b) the property investment segment invests in commercial and industrial properties for their rental income potential.

The chief operating decision-maker regularly reviews the operating results of the Group's operating segments separately for the 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.

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
Segment revenue			
Sales to external customers	**222,679**	**18,412**	**241,091**
Other income and gains, net	**6,439**	**32**	**6,471**
Total	**229,118**	**18,444**	**247,562**
Segment results	**(35,858)**	**(1,052)**	**(36,910)**
Reconciliation:			
Interest income			**1,117**
Finance costs			**(7,223)**
Corporate and other unallocated expenses			**(3,610)**
Loss before tax			**(46,626)**
Segment assets	**391,788**	**301,125**	**692,913**
Reconciliation:			
Corporate and other unallocated assets			**13,762**
Total assets			**706,675**
Segment liabilities	**309,065**	**39,244**	**348,309**
Reconciliation:			
Corporate and other unallocated liabilities			**1,209**
Total liabilities			**349,518**
Other segment information			
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 purchase 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 purchase of property, plant and equipment.

Year ended 31 December 2024	Paint products HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue			
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
Segment results	(47,788)	12,090	(35,698)
Reconciliation:			
Interest income			2,134
Finance costs			(11,176)
Corporate and other unallocated expenses			(4,845)
Loss before tax			(49,585)
Segment assets	482,223	308,391	790,614
Reconciliation:			
Corporate and other unallocated assets			13,382
Total assets			803,996
Segment liabilities	381,312	39,477	420,789
Reconciliation:			
Corporate and other unallocated liabilities			2,144
Total liabilities			422,933
Other segment information			
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	16	–	16

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

Geographical information

(a) Revenue from external customers

	2025	2024
	HK$'000	HK$'000
Hong Kong	**29,800**	57,201
Mainland China	**211,291**	264,151
	241,091	321,352

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

(b) Non-current assets

	2025	2024
	HK$'000	HK$'000
Hong Kong	**856**	855
Mainland China	**407,059**	419,537
	407,915	420,392

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

Information about a major customer

During the 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.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

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

Disaggregated revenue information

	2025	2024
	HK$'000	HK$'000
Type of paint and coating products sold		
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
	222,679	298,341
Timing of revenue recognition		
Goods transferred at a point in time	**222,679**	298,341

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

	2025	2024
	HK$'000	HK$'000
Other income and gains, net		
Bank interest income	**1,117**	2,134
Foreign exchange difference, 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	**364**	–
Recognition of deferred income	**278**	278
Others	**2,770**	2,155
	7,588	7,534

* Government grants have been received from certain government authorities of the People's Republic of China (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 are 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 are no unfulfilled conditions or contingencies relating to these government subsidies.

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

6. LOSS BEFORE TAX

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

	2025 HK$'000	2024 HK$'000
Cost of inventories sold	**140,513**	192,034
Depreciation of property, plant and equipment	**11,360**	12,855
Depreciation of right-of-use assets	**4,630**	4,616
Equity-settled share option expenses, net	**100**	425
Fair value losses on investment properties*	**17,125**	7,978
Foreign exchange differences, net*	**1,318**	(844)
Gain on disposal of items of property, plant and equipment, net*	**(658)**	(84)
Gain on lease modification*	**(364)**	–
Provision/(reversal of provision) for impairment of trade and bills receivables, net	**(10,470)**	24,186
Provision for impairment of right-of-use assets*	**–**	2,838
Provision/(reversal of provision) for inventories to net realisable value, net@	**(233)**	290
Provision for impairment of deposits for purchase of property, plant and equipment*	**1,246**	–
Staff termination cost*	**2,039**	1,324
Write-off of items of property, plant and equipment*	**6**	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.

7. 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 year (2024: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (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.

	2025 HK$'000	2024 HK$'000
Current – Elsewhere		
Charge for the year	**18**	8
Under provision in prior year	**–**	2
Deferred	**(597)**	(1,611)
Total tax credit for the year	**(579)**	(1,601)

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

The calculation of basic and diluted loss per share 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.

9. DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2025, the Group acquired items of property, plant and equipment at costs of HK$1,619,000 (31 December 2024: HK$735,000).

Items of property, plant and equipment with an aggregate net book value of HK$138,000 (31 December 2024: HK$3) were disposed of by the Group for the year ended 31 December 2025.

11. INVESTMENT PROPERTIES

	2025	2024
	HK$'000	HK$'000
Carrying amount at 1 January	**295,283**	309,087
Fair value losses	**(17,125)**	(7,978)
Transfer from owner-occupied properties	**–**	3,959
Exchange realignment	**14,009**	(9,785)
Carrying amount at 31 December	**292,167**	295,283

The investment properties of the Group were revalued on 31 December 2025 based on the valuations performed by BMI Appraisals Limited, an independent professional qualified valuer, at HK$292,167,000 (31 December 2024: HK$295,283,000). Fair values of the investment properties of the Group are generally derived by using the income capitalisation method and market comparison approach.

12. TRADE AND BILLS RECEIVABLES

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

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

	2025	2024
	HK$'000	HK$'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
	64,469	103,628

13. 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	2024
	HK$'000	HK$'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
	87,423	125,437

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 HK14,691,000 (2024: HK$21,570,000), the remaining balances are unsecured, non-interest-bearing and normally settled within two months.

14. 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.

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 following share options were outstanding under the Scheme during the years:

	2025		2024	
	Weighted average exercise price HK$ per share	**Number of share options**	Weighted average exercise price HK$ per share	Number of share options
At 1 January	**0.335**	**70,000,000**	0.335	80,000,000
Lapsed during the year	**0.335**	**(10,000,000)**	0.335	(10,000,000)
At 31 December	**0.335**	**60,000,000**	0.335	70,000,000
Vested and exercisable at 31 December	**0.335**	**54,000,000**	0.335	56,000,000

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).

15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company (the "AGM"), the register of members of the Company will be closed from Monday, 1 June 2026 to Thursday, 4 June 2026 (being the record date), both days inclusive, during the period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2026.

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.

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.

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.

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 acknowledge 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.

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				
	2025		2024		% of net
	HK$'000	**%**	HK$'000	%	change
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 [1]	**57,269**	**25.7**	77,270	25.9	(25.9)
	222,679	**100.0**	298,341	100.0	(25.4)

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

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.

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.

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.

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.

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.

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 purchase 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.

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.

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.

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.

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.

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.

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.

During the year ended 31 December 2025, the Group recorded a slight increase in inventory turnover days[1], from 36 days to approximately 45 days, as compared to the last year. In the same year, the trade and bills receivables turnover days[2] 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.

1 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).

2 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).

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.

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.

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.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares (including sale of treasury shares, if any) during the year.

The Company and its subsidiaries did not hold any treasury shares during the year ended 31 December 2025.

AUDIT COMMITTEE REVIEW

The audit committee of the Board has met the external auditor of the Company, ZHONGHUI ANDA CPA Limited ("Zhonghui Anda"), and reviewed the Group's annual results for the year ended 31 December 2025.

SCOPE OF WORK OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by Zhonghui Anda, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Zhonghui Anda in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Zhonghui Anda on the preliminary announcement.

CORPORATE GOVERNANCE

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. For the year ended 31 December 2025, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code contained in Part 2 of Appendix C1 (the "CG Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviation:

The code provision C.2.1 of the CG Code stipulates that the roles of the 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 of the Board and the managing director of the Company. 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 of the Company will be adequately and fairly represented. Also, as all major decisions are made in consultation with and approved by the members of the Board, the Board believes that this arrangement will not have negative influence on the balance of power and 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 of the Board and the managing director of the Company at a time when the Group can identify a suitable candidate with capable leadership, knowledge and relevant skills and experience for the position. Owing to the business nature and scope of the Group as a whole, such 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules (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.

On behalf of the Board
CPM Group Limited
Tsui Ho Chuen, Philip
Chairman and Managing Director

Hong Kong, 27 March 2026

As at the date of this announcement, the Board comprises Mr. Tsui Ho Chuen, Philip, and Mr. Li Guangzhong as executive Directors; Mr. Mak Chi Wah as non-executive Director; and Mr. Chua Joo Bin, Mr. Xia Jun and Ms. Meng Jinxia as independent non-executive Directors.