中漆集團有限公司
CPM GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1932

EVER GROWTH

ANNUAL REPORT 2024

Contents

Corporate Information

HONORARY CHAIRMAN
Lam Ting Ball, Paul

BOARD OF DIRECTORS

Executive Director and Chairman

Tsui Ho Chuen, Philip *(Managing Director)*

Executive Directors

Li Guangzhong *(Sales Director)*
Mak Chi Wah *(Finance Director)*

Non-executive Director

Chong Chi Kwan

Independent Non-executive Directors

Chua Joo Bin
Xia Jun
Meng Jinxia

AUDIT COMMITTEE
Chua Joo Bin *(AC Chairman)*
Xia Jun
Chong Chi Kwan

REMUNERATION COMMITTEE
Xia Jun *(RC Chairman)*
Chong Chi Kwan
Chua Joo Bin

NOMINATION COMMITTEE
Xia Jun *(NC Chairman)*
Tsui Ho Chuen, Philip
Chua Joo Bin

COMPANY SECRETARY
Fok Pik Yi, Carol

AUDITORS
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27th Floor, One Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

SHARE REGISTRARS

Hong Kong

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

Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111, Cayman Islands

PRINCIPAL BANKERS

Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited

PRC

HSBC Bank (China) Company Limited
Bank of China Limited
Shenzhen Rural Commercial Bank
Corporation Limited

REGISTERED OFFICE
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111, Cayman Islands

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Wanchai, Hong Kong

WEBSITE
www.cpmgroup.com.hk

Chairman's Statement

OVERVIEW

In recent years, the global economy faced notable challenges resulting from regional uncertainties and persistent inflation. The rising energy costs, along with the increased market volatility led by geopolitical tensions have continuously disrupted trade flows and supply chains, and further elevated the inflationary pressures. However, the inflation showed signs of moderation in the latter half of 2024. In response, several monetary authorities started easing their monetary policies by implementing interest rate cuts to reduce the cost of borrowing so as to increase investment and boost the economic activities amid slowing economic growth. According to the data released by the International Monetary Fund, global gross domestic product ("GDP") grew by approximately 3.2% in 2024, whereas Mainland China achieved 5.0% GDP expansion, which surpassed the global average GDP growth. The positive GDP expansion in Mainland China was stemmed from the introduction of a series of stimulus measures and a stronger-than-anticipated economic recovery in the fourth-quarter of 2024, despite the challenges such as a declining population numbers and soft consumer demand. In general, economic resilience in Mainland China was sector-based. The export sector still maintained a robust performance whilst the domestic consumption remained a weak spot. According to the data released by the National Bureau of Statistics of China (the "NBSC"), the percentage change in contributions to GDP growth from consumption expenditures, net exports, and capital investments shifted from 4.291%, -0.594%, and 1.504% in 2023 to 2.225%, 1.515%, and 1.260% in 2024, of which reflecting a changing economic landscape.

Due to economic stagnation in 2024, the Group unavoidably encountered a year fraught with significant challenges and difficulties. While there were fleeting moments of improvement in the purchasing managers' index ("PMI") at various points throughout the year, the overarching trend was one of marked economic contraction. This contraction was a pronounced impact on the industrial sector, as evidenced by a persistently low producer price index ("PPI"), which remained below 100 for the entire year. The PMI data further underscored this trend, signalling ongoing reductions in industrial activity. A key contributor to these low PPI levels was the sustained decline in raw material prices in Mainland China, rooted in diminishing consumer demand. This situation exacerbated by a considerable portion of household wealth being tied to real estate, which faced the pressures of falling property values. In response to the challenging market dynamics and vigorous price competition, the Group undertook strategic adjustments in pricing and enhanced purchase incentives aimed at stimulating sales. However, despite these proactive measures, the difficult macroeconomic environment resulted in a substantial decline in the Group's sales of paint and coating products in Mainland China, which significantly decreased by 38.1% for the year ended 31 December 2024, as compared to 2023.

Furthermore, the PMI construction sub-index in Mainland China reflected economic challenges, showing a declining trend and recording a score below 50 on one occasion, which indicated contraction. The declining demand in the paint and coating industry was mainly due to slow construction activity, excess inventory and challenging market conditions. Consequently, proactive strategies and optimising resources management were crucial when navigating the challenging market conditions arising from the reducing consumer spending, economic uncertainties and supply chain disruption. In 2024, over 2,400 construction companies underwent bankruptcy and reorganisation throughout Mainland China, including four leading enterprises in the construction industry. Correspondingly, in 2024, the real estate industry recorded a negative growth rate of 1.8%, while the building and construction industry sector recorded a growth rate of 3.8%. Notably, the accumulated construction area of construction-in-progress in Mainland China's real estate industry was also decreased by 12.5% in 2024, as compared to the decrease of 7.4% in 2023. The accumulated construction area of new projects was decreased by 22.5% in 2024, as compared to the decrease of 20.9% in 2023. The accumulated completion area decreased by 26.1% in 2024, as compared to the increase of 15.8% in 2023. In addition, the market experienced intense competition, wherein other paint and coatings manufacturers were keen to liquidate their excess finished goods held in inventory. As evidenced by statistics from the China National Coatings Industry Association, the total production output of the paint and coatings industry in Mainland China in 2024 amounted to 35.34 million tonnes, which represented a decrease of 1.6% compared to 2023. In contrast, the total revenue from paint and coatings manufacturers increased by 1.6%, reaching RMB408.90 billion compared to 2023. As a result, the Group's total sales of paint and coating products to customers, specifically construction and renovation contractors as well as wholesale and retail distributors in Mainland China, significantly decreased by approximately 45.5%, from HK$282.69 million for the year ended 31 December 2023 to HK$154.01 million for the year ended 31 December 2024.

OVERVIEW (continued)

Throughout the year, the manufacturing sector in Mainland China faced a challenging economic environment. The order on-hand index associated to the PMI revealed ongoing fluctuations and signs of contraction, highlighting a cautious market marked by reduced demand. This situation underscored the uncertainties confronting manufacturers, leading to lower order volumes across the industry. Additionally, the PMI inventories sub-index consistently indicated contraction, reflecting a measured approach adopted by both manufacturers and consumers. This atmosphere of uncertainty impacted numerous sectors, including the paint industry, necessitating adjustments in response to shifting consumer preferences and market conditions. Consequently, the Group's sales of paint and coating products to industrial manufacturers in Mainland China significantly decreased by approximately 18.4%, from HK$106.71 million for the year ended 31 December 2023 to HK$87.13 million for the year ended 31 December 2024.

Upon review, it is crucial to consider the economic and industry conditions reflected in the key raw materials index, which exhibited significant fluctuations, shifting between periods of opportunity and substantial challenges, especially during the latter half of 2024. This volatility impacted various sectors, including the paint industry, necessitating adjustments in operations and supply chains across the board. In addressing the dual challenges posed by mismatched supply chain dynamics, where excess raw materials coexisted with insufficient demand, and conversely, strong demand coincided with raw material shortages, the Group implemented effective business revamp measures and initiatives. The ongoing conversion of underutilised production facilities and office premises in Mainland China into investment properties was a deliberate strategy aimed at reducing manufacturing costs and administrative expenses. This proactive approach resulted in a noteworthy increase in the Group's gross profit margin for paint products, which increased by approximately 5.1 percentage points, from 30.5% for the year ended 31 December 2023 to 35.6% for the year ended 31 December 2024. Furthermore, the Group achieved a substantial 12.7% reduction in administrative expenses, which totalled HK$79.49 million for the year ended 31 December 2024, compared to HK$91.14 million for the year ended 31 December 2023.

To optimise the Group's asset allocation and enhance operating cash flows, notable progress was achieved for the year ended 31 December 2024. Rental income from investment properties rose by 11.6%, reaching HK$23.01 million, as compared with HK$20.61 million for the year ended 31 December 2023. However, as at 31 December 2024, the value of the investment properties experienced a decline of 4.5%, totalling HK$295.28 million, down from HK$309.09 million as at 31 December 2023. This reduction was primarily influenced by the significant depreciation of the Renminbi, contributing approximately 70.9% to the overall decrease. Despite this fluctuation, the intrinsic value of the investment properties remained robust due to their strategic locations with excellent transport links and proximity to industrial zones. In response to these market dynamics, a new business segment was established in 2022, dedicated to the development and management of investment properties. This initiative not only reflected a commitment to adapting our strategic approach but also underscored the dedication and commitment to delivering greater transparency and sustained value creation for the shareholders of the Company.

Chairman's Statement

RESULTS

In light of the challenging market conditions, the Group recorded a notable decline in revenue of 31.5% for the year ended 31 December 2024. Nevertheless, the Group's loss for the year ended 31 December 2024 reduced by 28.4%, amounting to HK$47.98 million, as compared to HK$66.98 million in 2023.

It is encouraging that the profitability of the Group exhibited a significant improvement, with the gross profit margin rising by 6.6 percentage points, from 33.6% in 2023 to 40.2% in 2024. This improvement was attributed to the successful implementation of strategic business revitalisation measures and initiatives. Following the integration of underutilised production facilities in Mainland China, the Group achieved heightened profitability through substantial cost savings, leading to a 12.7% reduction in administrative expenses, which fell to HK$79.49 million from HK$91.14 million in the last year.

Nonetheless, it is important to highlight that the property market in Mainland China remained subdued throughout 2024 due to a prolonged downturn. This persistent stagnation significantly impacted the operating cash flows of developers in the construction industry, as well as property and infrastructure projects in Mainland China. Consequently, these adverse market conditions affected the valuation of investment properties in Mainland China. Furthermore, the economic climate necessitated a thorough impairment assessment of trade and bills receivables from the clients of the Group involved in the construction sector, as well as in property and infrastructure projects. Ultimately, these overarching circumstances influenced the valuation of investment properties, with significant implications for the Group's financial performance.

Furthermore, as at 31 December 2024, the Group reported a decline of 15.1% in net assets, as compared to a decrease of 13.9% reported as at 31 December 2023. This adverse outcome was attributable to several non-cash factors, including (i) a provision for the impairment of trade and bills receivables of approximately HK$24.19 million; (ii) the net fair value losses on investment properties of approximately HK$7.98 million; (iii) an impairment of right-of-use assets approximately HK$2.84 million; and (iv) an exchange difference of approximately HK$20.02 million, which was linked to a 3.2% depreciation of the Renminbi between the two financial year-end dates. It is noteworthy that the provision for the impairment of trade and bills receivables, amounting to HK$24.19 million resulted in a significant reduction of 17.3% in the Group's net working capital (net current assets) as at 31 December 2024, compared to 2023. Nevertheless, due to enhanced cash flow management and operational efficiency, this arrangement had a positive effect on the Group's liquidity position and overall financial stability in 2024. Cash and cash equivalents increased significantly by HK$24.31 million to HK$169.25 million as at 31 December 2024, as compared to HK$144.94 million as at 31 December 2023. Furthermore, the short-term interest-bearing bank borrowings were decreased by HK$32.68 million to HK$88.07 million as at 31 December 2024, as compared with HK$120.75 million as at 31 December 2023.

The enhancement of the Group's gross profit margin, liquidity and financial stability signified promising strides toward profitability and a robust foundation. Through continuous efforts to optimise operations, the Group effectively lowered costs and expenses and boosted productivity. In an ever-changing business environment, it is crucial for the Group to embrace innovation by leveraging technology and data analytics for more accurate forecasting and decision-making. A proactive approach in monitoring financial performance and swiftly addressing inefficiencies or potential challenges will ensure sustainable growth and competitive advantage.

BUSINESS OUTLOOK

In 2025, manufacturers in Mainland China, which engaged in the production of goods for global markets, are navigating significant global transformations driven by geopolitical challenges. These issues critically influence strategic and operational decisions, presenting concrete obstacles that require adaptive strategies for sustained growth and resilience. In response, the Chinese government has been implementing various initiatives aimed at strengthening its domestic economy to counterbalance any potential decline in foreign demand. It is also reiterated that a steadfast commitment to promoting quality growth within the private sector. The year 2025 marks the preparatory phase for the "15th Five-Year Plan," several comprehensive policies are already in place in effect that seek to stimulate domestic demand, stabilise the real estate market, sustain the "national subsidy" for trade-in-transactions, and facilitate upgrades in older neighbourhoods. These initiatives present substantial opportunities for the growth of the paint and coating sector.

However, the Construction Industry Business Index Survey indicated that insufficient project volume in Hong Kong is likely to be the most pressing challenge anticipated in the upcoming year. Other issues included human resources, capital turnover, principal contract risks and regulatory matters. The survey highlighted a significant decline in contractors' confidence regarding both short- and medium-term prospects for the construction industry and the broader economy.

Despite these challenges, the Group is adopting a prudent approach to its business outlook, focusing on leveraging innovation and enhancing efficiency to acclimate to the evolving market landscape. By maintaining robust product quality and ensuring timely deliveries, the Group has mitigated the decline in sales, preventing further reduction, and observed improvements in profitability and operational efficiency. With financial stability reinforced, the Directors remain optimistic about the future prospects of the paint and coating industry, in alignment with governmental efforts to stimulate domestic demand and support sector growth.

BUSINESS REVIEW

In 2024, in order to further enhance and establish sustainable profitability while continuing to address supply chain challenges, including the volatility of raw material prices and intense competition, the Group maintained its commitment to implementing effective business revamp measures and initiatives. In 2023, the Group converted certain underutilised production plants and office premises into investment properties. This ongoing strategy would enable the Group to overcome the challenges as well as optimise asset allocation and improve its operating cash flow. In a measured strategic initiative, the Group successfully navigated existing challenges, optimised asset allocation and bolstered its operating cash flow. However, as at 31 December 2024, the total value of the Group's investment properties decreased by 4.5%, amounting to approximately HK$295.28 million from approximately HK$309.09 million as at 31 December 2023. This decline was largely attributed to a 3.2% depreciation in the Renminbi. Investment properties constituted 36.7% of the Group's total assets, furnishing a robust foundation for this business segment. This signified the Group's commitment to maximising value through strategic asset management. Despite this favourable development, the Group adopted a cautious and focused approach to managing its investment portfolio in 2024 to align it with its overall business strategy. The paint and coating business remains the largest segment of the Group while the second segment is property investment.

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 wall, floor and exterior parts of buildings. The Group's architectural paint and coating products focus primarily on the construction and maintenance markets of the commercial and residential properties. General paint and coating and ancillary products, such as thinner, enamels and anti-mold agents and solvent agents, can be used for both architectural and industrial purposes.

REVIEW OF OPERATION

Revenue

In 2024, the Group's total revenue amounted to approximately HK$321.35 million, which included the sales of paint and coating products of HK$298.34 million and rental income from investment properties of HK$23.01 million. The amount of the total revenue represented a significant decrease of 31.5%, as compared to the Group's total revenue of HK$469.09 million in 2023, which included sales of the paint and coating products of HK$448.48 million and rental income from investment properties of HK$20.61 million.

REVIEW OF OPERATION (continued)

Paint and Coating Products

For the year ended 31 December 2024, the Group's revenue from the sales of the paint and coating products amounted to approximately HK$298.34 million, representing a significant decrease of 33.5%, as compared to approximately HK$448.48 million in 2023. 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 2024 (with comparative figures for the year ended 31 December 2023):

	Year ended 31 December				
	2024		2023		% of net
	HK$'000	**%**	HK$'000	%	change
Industrial paint and coating products	**151,138**	**50.7**	172,863	38.6	(12.6)
Architectural paint and coating products	**69,933**	**23.4**	178,225	39.7	(60.8)
General paint and coating and ancillary products [(1)]	**77,270**	**25.9**	97,387	21.7	(20.7)
	298,341	**100.0**	448,475	100.0	(33.5)

(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 50.7% (2023: 38.6%), 23.4% (2023: 39.7%) and 25.9% (2023: 21.7%) of the total revenue generated from the sales of the paint and coating products in 2024, respectively. The Group continued to focus on Mainland China market which contributed to 80.8% (2023: 86.8%) of the amount of the total revenue generated from the sales of the paint and coating products in 2024.

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 2024, the Group's sales to property developers and their contractors working for private residential property projects in Mainland China amounted to HK$17.96 million, representing a decrease of 78.3%, as compared to HK$82.69 million recorded during the last year in 2023. According to the data of the NBSC, there was a substantial decline in residential property activities in the 2024: accumulated construction areas decreased by 12.5%, newly started construction areas fell by 22.5%, and completed construction areas dropped by 26.1% in comparison to the 2023.

During the year ended 31 December 2024, the Group experienced a notable downturn in sales of paint and coating products, primarily due to unfavourable conditions in private residential property sector in Mainland China. This sector was significantly affected by a pronounced decline in property prices compared to 2023. Price trends across major cities were varied, but many areas continued to suffer from a decline in property prices, which meant that the property market was persistently unstable.

In response, the Chinese government acted decisively and took measures to mitigate these challenges and revitalise property sector. They reduced interest rates for existing housing loans to ease financial burdens on property owners and home purchasing costs to boost demand. Additionally, local governments were authorised to use special bonds for acquiring unsold housing and dormant land. These strategies aimed to ease market strains and foster a more robust property market, indirectly benefiting the paint and coating industry by creating a more favourable economic environment. Following the measures taken by the Chinese government to steer the real estate market towards stability, the Group's sales in this customer segment became stable, maintaining consistent levels in the first half and the second half of 2024.

REVIEW OF OPERATION (continued)

Paint and Coating Products (continued)

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

For the year ended 31 December 2024, the Group's sales to wholesale and retail distributors in Mainland China significantly decreased by 29.4% to approximately HK$109.28 million, as compared to HK$154.74 million for the year ended 31 December 2023. This significant decline was primarily driven by intense competition within the paint and coating industry in Mainland China.

In recent years, many paint and coating manufacturers had expanded their production capacities, resulting in increased market supply. Concurrently, the Chinese government implemented policies to curb leverage among property developers so as to mitigate financial risks and stabilise the housing market. These measures led to a sluggish real estate market, causing the property developers to slow their land acquisitions for new projects, resulting in the reduction in demand of architectural paint and coating products, of which accounted for approximately 60.0% of the industry's sales in Mainland China. Despite this decrease in demand, production capacities continued to rise, creating market oversupply. In response to the competitive pressures, some manufacturers have resorted to aggressive discounting strategies to boost sales and maintain utilisation rates of both new and existing production capacities. Additionally, many manufacturers significantly increased their promotional and advertising expenditures during the first half of 2024 to capture market share. These strategies resulted in sacrificing net profit margins in order to attract more sales.

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

For the year ended 31 December 2024, the Group experienced a significant decline in sales to industrial manufacturers in Mainland China, which decreased by 18.4% to approximately HK$87.13 million, from HK$106.71 million for the year ended 31 December 2023. This downturn was attributed primarily to a reduction in consumer spending and the PMI below 50, indicating waning economic activity due to diminished end-user demand. Furthermore, intensified competition within the paint and coating sector, arising from manufacturers traditionally focused on architectural products, further impacted sales.

The Chinese government has been rolling out measures to stabilise the real estate market aimed at curbing excessive leverage and mitigating financial risks. Since 2020, the Chinese government had implemented policies designed to monitor and regulate loans, with a focus on reducing the elevated debt ratios of real estate enterprises. Whilst borrowing restrictions on property developers had been somewhat relaxed, overarching macroeconomic pressures and a stagnating real estate market resulted in paint and coating manufacturers diversifying their business portfolios. Consequently, these entities ventured into industrial paint and coating segments, thereby broadening their operational scope.

Furthermore, the competitive landscape intensified further with the introduction of new machinery and equipment designed to enhance productivity. This development led to increased production efficiency and production volumes, thereby intensifying competition amongst businesses in subcontracting processes, metal products, industrial machinery, and plastic toys sectors. According to data released by the NBSC, industrial capacity utilisation in the manufacturing sector stood at 75.2% in 2024, slightly reduced by 0.1%. This represents an improvement compared to 2023, where the industrial capacity utilisation was 75.3%, with a decline of 0.5%.

REVIEW OF OPERATION (continued)

Geographical Analysis of Revenue

Geographically, for the year ended 31 December 2024, the Group's revenue generated from the sales in Mainland China and Hong Kong accounted for 80.8% and 19.2%, respectively, as compared to 86.8% and 13.2%, respectively for the year ended 31 December 2023. Most of the Group's revenue was generated from the sales to customers in the Southern China, the Central China and the Eastern China. Revenue generated from the sales to the customers in these regions, in aggregate, accounted for 76.1% of the Group's total amount of revenue for the year ended 31 December 2024, as compared to 81.4% for the year ended 31 December 2023.

Significant decrease in the sales to the property developers and their contractors working for private residential property projects in the Southern China, the Central China and the Eastern China

For the year ended 31 December 2024, the Group experienced a substantial decline in revenue from the sales to property developers and their contractors working for private residential projects in the Southern China, the Central China and the Eastern China. This downturn was primarily attributable to a weakening real estate market in Mainland China. Specifically, the revenue from the Southern China, the Central China and the Eastern China decreased by 58.2% to HK$29.17 million, 63.5% to HK$9.23 million and 83.5% to HK$3.73 million, respectively, compared to HK$69.88 million, HK$25.27 million and HK$22.57 million, respectively, for the year ended 31 December 2023. These declines cumulatively represented approximately 90.8% of the total reduction in sales to construction and renovation contractors for property infrastructure projects within Mainland China.

The contraction in sales reflected a broader trend in the regional real estate sector, significantly affected by decreased construction activities. According to the data of the NBSC, the newly started construction area for real estate projects in the Southern China, the Central China, and the Eastern China in 2024 dropped precipitously by 2.0%, 2.4%, and 11.4%, respectively, as compared to the last year.

Significant decrease in the sales of paint and coating products to distributors in the Southern China

For the year ended 31 December 2024, the Group faced a significant downturn in sales of paint and coating products to distributors in the Southern China, recording a sharp decline of 40.3%, or HK$44.80 million. This downturn followed a previous decline of 16.6% in 2023, equating to HK$22.13 million, highlighting a continuing negative trend. The situation was further compounded by economic signals from Mainland China. In 2024, the PMI construction sub-index showed a declining trend and recorded a score below 50 on one occasion. This contraction indicated substantial economic challenges in the paint and coating industry, pointing to decreased construction activity, overstocked inventories and adverse market conditions.

As mentioned, in 2024, the real estate sector exhibited a contraction, showing a decline in growth, in contrast to the moderate expansion experienced by the building and construction sector. These changes have significantly affected the Group's revenue from sales to distributors in Mainland China, resulting in a notable decrease for the year ended 31 December 2024.

Despite these challenges, it is noteworthy that the Group has achieved a 10.0% increase in sales of paint and coating products to Distributors in the Eastern China for the year ended 31 December 2024. The Group remains committed to exploring expansion opportunities in other regions where demand may exist, leveraging adaptability to sustain growth and maximise revenue potential.

REVIEW OF OPERATION (continued)

Geographical Analysis of Revenue (continued)

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

For the year ended 31 December 2024, the Group recorded a notable reduction in revenue from the sales of paint and coating products to industrial manufacturers in the Southern China, resulting a decline of HK$18.90 million, or 26.5%. This represents an improvement compared to the last year's decrease of 35.9%. The manufacturing sector within Mainland China navigated a challenging economic landscape throughout the year. The PMI highlighted persistent fluctuations and contraction, underscoring a market atmosphere characterised by reduced demand. Such uncertainties compelled manufacturers to scale back on orders, resonating throughout the industry. The PMI inventories sub-index further indicated consistent contraction, reflective of a cautious stance amongst both manufacturers and consumers. This climate of uncertainty extended to various sectors, including the paint industry, necessitating careful strategic planning and adaptation to market conditions.

As a result, the Group experienced a significant decline in sales of paint and coating products to industrial manufacturers in Mainland China, decreasing by approximately 18.4%, from HK$106.71 million in 2023 to HK$87.13 million in 2024. This combination of factors collectively influenced the Group's total revenue from sales to industrial manufacturers in Mainland China, leading to a reduction of HK$19.58 million or 18.4%, for the year ended 31 December 2024.

Despite these challenges, the Group recorded a 5.5% increase in sales of paint and coating products to industrial manufacturers in the Central China for 2024. This growth underscored the importance of regional diversification. The Group planned to explore new opportunities in other regions to sustain growth and maximise revenue. This strategic focus mitigated risks and captured emerging opportunities in diverse markets.

Significant decrease in the sales of paint and coating products to renovation contractors in Hong Kong

For the year ended 31 December 2024, the Group observed a significant reduction in sales of paint and coating products to renovation contractors in Hong Kong, amounting to a 13.4% decrease. This decline contrasted with the increase of 5.0% last year. Amidst this downturn, public information revealed a 22.3% increase in registered residential property transactions as compared to last year, which was viewed positively. However, the unemployment rates within specific sectors presented challenges. Unemployment in the building decoration, repair, and maintenance sectors dropped slightly to 5.8% in 2024 from 6.0% in 2023. These figures were higher than the overall unemployment rates, which stood at the range 2.9% in 2023 and 3.0% in December 2024, highlighting distinctive sector dynamics amidst broader economic conditions.

Moreover, the broader economic climate presented challenges for the renovation sector overall. GDP growth had softened from 3.2% in 2023 to a projected 2.5% in 2024. Additionally, the fiscal reports indicated that the Hong Kong government faced a deficit for the 2023/2024 fiscal year, a trend that was expected to persist into 2024/2025. These economic changes likely encouraged households to practice more cautious spending, particularly regarding property decoration and renovation. Factors contributing to this shift might have included changing consumer preferences, where some residential property buyers chose to delay renovations on both new and existing homes.

REVIEW OF OPERATION (continued)

Cost of sales

Cost of raw materials

Raw materials used by the Group include resins, solvents and other materials, of which resins and solvents accounted for significant portions of the total cost of raw materials. Fluctuations in crude oil prices directly and indirectly impact the prices of these raw materials, thereby significantly affecting the profitability of paint and coating manufacturers, as raw material costs comprise a substantial portion of the total production cost. With crude oil prices stabilising around US$75 per barrel in 2023 and 2024 after significant fluctuations in previous years, the industry achieved better profitability by leveraging consistent cost expectations. During these price changes, paint and coatings manufacturers experienced an increase in their gross profit margins due to the reduction in raw material costs. Despite occasional increases in the PMI throughout 2024, the broader economic conditions were characterised by a contraction, adversely impacting the industrial sector. This economic challenge was evident in the consistently low PPI throughout the year. The PMI highlighted this ongoing contraction, reflecting a continued decline in industrial activity. A key factor contributing to the low PPI was the ongoing reduction in raw material prices in Mainland China, driven by decreasing consumer demand.

In light of the decline in raw material prices within the Mainland China market and the shift in end users' preferences affecting the product mix, the Group implemented strategic initiatives to optimise raw material costs and diversify sourcing options. This approach resulted in a marked reduction in the raw material component of the cost of sales, decreasing to 82.5% in 2024 from 86.3% in 2023. This development reflected a deliberate effort to enhance efficiencies through strategic alliances, as described in the 2022 Annual Report. Moreover, the Group achieved a noteworthy reduction of 41.1% in overall raw material costs within the cost of sales, surpassing the 33.5% decline in sales. This underscored significant advances in cost management practices and highlighted the strategic alignment of its partnerships.

Direct and indirect labour cost

During the year ended 31 December 2024, the Group successfully reduced direct and indirect labour costs by 18.6%. While this reduction was smaller than the 33.5% decline in sales of paint and coating products, it represented a strategic and proactive approach to cost management amid challenging market conditions.

To address this discrepancy and improve labour efficiency, the Group implemented several targeted measures and initiatives. Among these was the introduction of a comprehensive cross-training program, which empowered the Group's workforce with the skills needed to perform various tasks across different functions. This strategic initiative encompassed both manufacturing and warehouse staff, allowing the Group to maintain operational flexibility without increasing headcount.

Moreover, the Group made significant advancements in optimising production lines and enhancing manufacturing processes. By doing so, we not only improved efficiency but also strengthened the Group's ability to adapt to fluctuating market demands without compromising on quality or service. These initiatives reflected the Group's commitment to operational excellence and cost-efficiency, ensuring that the Group remained well-positioned to deliver value to its shareholders even amidst challenging market conditions.

REVIEW OF OPERATION (continued)

Cost of sales (continued)

Depreciation and production overhead

For the year ended 31 December 2024, despite a 33.5% decrease in sales of paint and coating products, the Group achieved a 24.5% reduction in depreciation and production overhead costs. This aligned with the Group's ongoing strategy focusing on efficiency and budget control. Key measures included a 35.8% reduction in depreciation by converting the underutilised production plants into investment properties and a 7.9% 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

As previously noted, the paint and coating industry experienced benefits from favourable trends in the PMI and PPI. Although there were occasional increases in the PMI during 2024, the overall economic conditions remained contractionary, adversely impacting the industrial sector. This was reflected in a low PPI, primarily due to reduced raw material prices in Mainland China, driven by diminished consumer demand. Consequently, the sales of paint and coating products significantly decreased by 33.5%, as compared to the year ended 31 December 2023. Despite this downturn, the Group achieved a commendable increase in the gross profit margin, rising by 5.1 percentage points to 35.6%, up from 30.5% in 2023. This improvement resulted from strategic factors, including effective business revamp measures and initiatives such as the integration of production facilities in the Southern China. The strategic timing of the integration in 2023 proved advantageous; had it been postponed until this year, adjusting fixed costs to align with the reduced sales volume could have been considerably problematic.

The necessity to highlight was evident as the 22.4% decline in gross profit did not align proportionally with the 33.5% reduction in sales of paint and coating products, as compared to the last year. The Group's gross profit from these sales decreased significantly by HK$30.62 million, as compared to 2023. The marked 33.5% sales decrease was projected to have led to an approximate gross profit decline of HK$45.84 million. Yet, an increase in the gross profit margin, amounting to approximately HK$15.22 million, effectively offset the decline. Consequently, the loss as recorded in the Paint segment for the year ended 31 December 2024 reduced by 17.8%, amounting to HK$47.79 million, as compared to HK$58.15 million for the last year ended 31 December 2023. This relative improvement in financial performance was attributed to strategic initiatives that enhanced operational efficiency and cost management.

Other Income and Gains, Net

The net amount of other income and gains for the year ended 31 December 2024 showed a significant decrease of 29.8% to HK$5.40 million, as compared to HK$7.69 million for the year ended 31 December 2023. This decrease was primarily attributable to: (i) the absence of a government subsidy amounting to HK$2.40 million for the removal of solvent production lines and solvent storage tanks in the Hubei Production Plant which received in 2023; (ii) a reduction in government grants amounting to HK$0.40 million; and (iii) a reduction in gain on net disposal of fixed assets of HK$0.47 million. These reductions were partially offset by an increase in net foreign exchange differences amounting to HK$0.63 million and an increase of HK$0.35 million in other income and gains, which included compensation receipts related to aged trade and bills receivables, as well as receipts from scrap sales.

REVIEW OF OPERATION (continued)

Selling and Distribution Expenses and Administrative Expenses

For the year ended 31 December 2024, the Group's selling and distribution expenses significantly declined by 18.3%, amounting to HK$50.89 million, in contrast to HK$62.29 million for the year ended 31 December 2023. This reduction however, did not correspond with the 33.5% decrease in sales of paint and coating products, it primarily stemmed from a notable increase in legal and professional fees, amounting to HK$5.88 million, related to legal actions for the recovery of the Group's aged trade and bills receivables. The disparity suggested challenges in adjusting operating costs in line with declining revenues, highlighting areas for improving cost management. These challenges had partly been due to fixed expenses that could not be easily scaled down with falling revenues. Additionally, unexpected legal costs had temporarily inflated overall expenses. The focus on legal actions, though costing more initially, aimed to secure future cash flows. Once resolved, the emphasis likely had shifted to better synchronising expenses with sales, aiming for enhanced cost efficiency in subsequent periods.

Following the strategic integration of the underutilised production facilities in Mainland China in 2023, administrative expenses for the year ended 31 December 2024 were substantially reduced by 12.0% to approximately HK$73.88 million, as compared to approximately HK$83.91 million for the year ended 31 December 2023. Cost savings were realised from salaries and staff welfares, which amounted to HK$4.07 million, depreciation of HK$1.33 million, and share options of HK$1.26 million. Additionally, reductions were achieved in consumables and other expenses amounting to HK$3.37 million, as compared to 2023. This strategic integration enabled a sustainable reduction in operational costs, enhancing financial stability and resilience.

Other Expenses, Net

For the year ended 31 December 2024, the amount of other expenses was decreased by 38.6% to approximately HK$34.73 million, as compared to approximately HK$56.57 million in 2023, primarily due to a combination of economic factors. This reduction was mainly attributable to (i) a significant decrease in the provision for impairment of aged trade and bills receivables amounting to HK$25.94 million, which was driven by the collection of certain outstanding receivables during the year; and (ii) a notable decrease in other taxes, correlating with the 33.5% decline in sales of paint and coating products. Nonetheless, these favourable impacts were partially offset by an increase in the provision for impairment of right-of-use assets, which resulted from under-utilisation aligned with the 33.5% decline in sales of paint and coating products, subsequent to an annual review assessment. This economic adjustment reflected strategic financial management and adaptive measures required by accounting standards in response to market fluctuations and operational demands.

The Group made the 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 provision for the impairment of aged trade and bills receivables in connection with property developers and contractors as of 31 December 2024, the Group engaged a professional valuer to perform the assessment. It was the considered view of the Group that an additional impairment provision, amounting to approximately HK$19.22 million was provided for these receivables, which represented approximately 79.5% of the total provision for the impairment of aged trade and bills receivables, totalling HK$24.19 million for the year ended 31 December 2024. Despite this, the Group encountered challenges due to economic uncertainty stemming from heightened financial stress among property developers in Mainland China. Despite a 17.1% decrease in the gross amount of trade and bills receivable as at 31 December 2024, an additional provision for the impairment of trade and bills receivables of HK$24.19 million was deemed necessary, resulting in a 14.9% increase in the gross provision for the impairment of trade and bills receivables to HK$139.68 million as at 31 December 2024. This underscored the marked influence of macroeconomic factors and regulatory compliance on financial assessments, thus necessitating prudent financial strategies in volatile markets.

REVIEW OF OPERATION (continued)

Other Expenses, Net (continued)

Amidst strategic adjustment and implementation of ongoing business revamp measures and initiatives aimed at addressing market challenges, the Group successfully enhanced its financial performance by increasing its gross profit margin by 5.1 percentage points to 35.6%, up from 30.5% in 2023. Notwithstanding these gains, the Group reported a segment loss of HK$47.79 million for the year ended 31 December 2024, marking a notable reduction of 17.8% compared to the last year's segment loss of HK$58.15 million. This reduction in losses was primarily attributable to lower provision for the impairment of aged trade and bills receivables, alongside improved profit margins and cost efficiencies across major operations. Conversely, profitability was impeded by a 33.5% decrease in the sales of paint and coating products. The segment loss for 2024 was mainly influenced by a substantial provision for impairment of aged trade and bills receivables, which totalled approximately HK$24.19 million. Furthermore, the Group incurred legal and professional expenses of HK$7.03 million and the provision for impairment of right-of-use assets totalling HK$2.84 million. The decline in sales of paint and coating products adversely impacted the financial performance of the Group.

PROPERTY INVESTMENT

Within the framework of the strategy, the Group's investment properties were strategically reallocated, effectively transferring underutilised production plants and office premises. With this decision, the Group not only overcame challenges but also optimised its asset allocation and improved its operating cash flow. It was important to note the impact of macroeconomic fluctuations, principally a 3.2% depreciation in the Renminbi, which affected asset valuations as at 31 December 2024. Consequently, there was a 4.5% reduction in the valuation of the Group's investment properties, decreasing from HK$309.09 million to HK$295.28 million. Despite this decrease in value, the proportion of investment properties relative to the Group's total assets increased to 36.7%, up from 31.8% last year. This shift underscored the Group's strategic adaptation to maximise asset efficiency amidst economic variability. The ongoing movement continued to strengthen the Group's business segment of property investment, providing stakeholders with greater transparency and tracking. This shows the Group's commitment to maximising value through strategic asset management. Despite this positive development, the Group took a cautious and focused approach to managing its investment portfolio in 2024 to align with its overall business strategy.

As at 31 December 2024, the Group's investment property portfolio comprised of 6 properties (31 December 2023: 6) with a total land area of 175,675.8 square meters ("sq.m.") (31 December 2023: 175,669.5 sq.m.) and a total gross floor area of 76,295.3 sq.m. (31 December 2023: 76,300.4 sq.m.). The variation in the total land area and gross floor area was principally due to the renewal of property certificates for the production plant in Zhongshan (the "Zhongshan Production Plant"), necessitating a remeasurement of the gross floor area by the local governmental authority. 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.

PROPERTY INVESTMENT (continued)

Revenue generated from property investment for the year ended 31 December 2024 amounted to approximately HK$23.01 million, marking a substantial increase from approximately HK$20.61 million in 2023. Similarly, the segment profit for the year ended 31 December 2024 amounted to HK$12.09 million, as compared to approximately HK$6.36 million for the year ended 31 December 2023. This surge in the segment profit can be primarily attributable to the combined effect of a significant increase in rental income from investment properties, totalling approximately HK$2.40 million and changes in net fair value on investment properties (including loss of HK$7.98 million in 2024 and loss of approximately HK$11.48 million in 2023). Notably, the full-year leasing of the Zhongshan Production Plant, alongside the leasing of the entire production plant in Shanghai (the "Shanghai Production Plant") after the first quarter of 2024, markedly contributed to the significant increase in rental income throughout the year. This contrasts with the partial leasing arrangements in 2023, when the properties commenced the year unoccupied.

The Group's business model is designed to achieve a balance between its short-term capital requirements and long-term financial strength. To achieve this objective, the Group strategically repositions its production plants and complexes into investment properties that generate stable recurring rental income and capital appreciation. Additionally, the Group may selectively divest certain properties to fund its business operations and expansion plans. This approach allows the Group to fund its operations through cash flows from rental income and also generate additional capital from property sales, thereby strengthening its overall financial position. Furthermore, the Group can potentially realise capital appreciation on its investment properties over the long-term, leveraging prime locations to enhance its returns.

Profitability Analysis

In 2024, the global economy faced formidable challenges, characterised by ongoing inflationary pressures and geopolitical tensions that disrupted trade flows and heightened market volatility. In Mainland China, although GDP growth reached 5%, the paint and coatings industry experienced a noticeable contraction due to subdued domestic demand, decreased consumer spending, and reduced construction activity. The PMI construction sub-index indicated continued contraction within the sector, as the real estate market confronted declining property values and an excess inventory. In response to intense competition, manufacturers employed aggressive pricing strategies to clear surplus stock, thereby exacerbating market difficulties. Amid these adverse conditions, the Group demonstrated resilience through strategic adjustments aimed at enhancing profitability. Key initiatives led to a marked improvement in gross profit margins from 33.6% to 40.2%. This successful outcome was realised by optimising raw material costs, diversifying sourcing options, and achieving a 35.8% reduction in depreciation by converting underutilised production facilities into investment properties. Moreover, production overheads were reduced by 7.9% through streamlined processes and cost-reduction measures. Administrative expenses were curtailed by 12.8% as a result of cost-saving initiatives. Despite a 31.5% decline in revenue, the Group effectively managed to reduce its loss by 28.4%, illustrating enhanced operational efficiency and a focus on liquidity. The Group's adaptability in navigating challenging economic landscapes underscored its potential for future recovery and sustainable growth.

PROPERTY INVESTMENT (continued)

Profitability Analysis (continued)

From an alternative perspective, despite incurring a loss of approximately HK$47.98 million for the year ended 31 December 2024 (31 December 2023: loss of approximately HK$66.98 million), the Group, excluding specific costs, losses, and gains, might have generated a profit of HK$22.00 million for the year ended 31 December 2024 (31 December 2023: profit of approximately HK$29.63 million). The costs, losses, and gains that were excluded included various non-cash items like depreciation of property, plant, and equipment; depreciation of right-of-use assets; and provisions for impairment of trade and bills receivables, right-of-use assets, and property, plant and equipment. They also included share option expenses and net fair value gain or loss on investment properties. One-off expenses were comprised of staff termination costs and legal and professional fees related to the collection of trade and bills receivables. Further, finance-related elements included finance costs and net gain or loss on foreign exchange differences. The inclusion of income tax also played a role. Excluding these items showcased a significant improvement from the reported loss, underscoring the Group's commitment to revamping its business towards greater efficiency and sustainability.

In addition to the improvement in the gross profit margin, the Group's profitability has been influenced by various factors, both positive and negative, including:

1. Revenue from the sales of paint and coating products and the rental income from investment properties – The Group's the sales of paint and coating products recorded a significant decrease of 33.5% in 2024, reflecting the challenging economic environment in the paint and coating industry. The PMI construction sub-index highlighted reduced demand, stifled construction activities, and increased economic uncertainty within Mainland China's paint and coating industry. Concurrently, 2024 witnessed a discernible decline in real estate indicators, comprising cumulative construction areas, new project initiations, and completions. Conversely, the rental income from investment properties experienced a remarkable upsurge of 11.6% in 2024. This upward trend was primarily driven by the consistent full-year leasing of the Zhongshan Production Plant and the post-first-quarter 2024 leasing of the entire Shanghai Production Plant, contrasting with the scenario in 2023, when investment properties started the year vacant and were only leased out partially.

2. Cost of raw materials – As outlined in the section headed "Cost of sales" above, the cost of sales experienced a 38.4% decrease for the year ended 31 December 2024, a more significant decrease compared to the 37.8% decrease in 2023. This decrease was primarily due to the lower costs of raw materials, driven by a general decline in raw material prices throughout the year, as indicated by average PMI values falling below 50 and the PPI levels dropping under 100. Additionally, the 18.6% decrease in direct and indirect labour costs, along with the 24.5% decrease in depreciation and production overhead, contributed to this improvement. These economic advancements resulted from effective business revamp measures and initiatives, demonstrating the Group's capability to adapt to existing market conditions and enhance operational efficiency through careful management and foresight. This inclusion underscored resilience and effectiveness in cost management despite the sales challenges.

3. Other income and gains, net – During the year ended 31 December 2024, there was a notable decrease of 21.7%, approximately HK$2.09 million, in other income and gains compared to 2023. This decline was primarily attributable to the absence of the government subsidy, totalling HK$2.40 million, which had previously been received for the removal of solvent production lines and solvent storage tanks within the production facilities of the Hubei Production Plant. This reduction was offset by various other factors.

4. Staff costs – Staff costs were decreased by approximately HK$15.72 million or 16.4% for the year ended 31 December 2024, as compared to 2023. Furthermore, as at 31 December 2024, there were 440 employees (excluding Directors), which is 11.1% lower than the 495 employees as at 31 December 2023.

PROPERTY INVESTMENT (continued)

Profitability Analysis (continued)

5. Selling and distribution expenses – For the year ended 31 December 2024, selling and distribution expenses significantly decreased by 18.3% to approximately HK$50.89 million, as compared to approximately HK$62.29 million for the year ended 31 December 2023. The percentage of these expenses relative to the sales of paint and coating products increased adversely by 22.8%, rising to 17.1% from 13.9% for the year ended 31 December 2023. Aside from the reduction in related expenses, this decrease did not align with the 33.5% decline in sales of paint and coating products. The primary reason for this discrepancy was a notable increase in legal and professional fees, amounting to HK$5.88 million, which were incurred in connection with legal actions for the recovery of the Group's aged trade and bills receivables during the year ended 31 December 2024.

6. Other expenses, net– For the year ended 31 December 2024, the Group's other expenses significantly decreased by 35.8% to HK$44.89 million, as compared to approximately HK$69.96 million in 2023. This reduction was primarily due to the decrease in provision for the impairment of trade and bills receivables of HK$25.94 million. The decrease in the provision for impairment was partly because some outstanding receivables were successfully collected during the year. This adjustment followed prudent risk management practices and accounting standards, underlining the Group's dedication to managing credit risks and maintaining financial stability. Additionally, the change in net fair value losses on investment properties of HK$7.98 million was determined by a professional valuer, taking into account the dynamic conditions of the property market. Additionally, the Group incurred non-cash expenses totalling HK$35.00 million in 2024, contributing approximately 78.0% of total other operating expenses, compared to 84.0% in 2023. These non-cash adjustments highlighted the Group's prudent financial management approach, reinforcing its strategic focus on long-term financial health and sustainability.

7. Finance costs – For the year ended 31 December 2024, finance costs significantly decreased by 15.6% to HK$11.18 million, as compared to HK$13.24 million for the last year ended 31 December 2023. This decline was primarily attributable to a reduction in borrowings and the shift of interest-bearing bank borrowings from Hong Kong to Mainland China. Throughout the year, the average interest rates on interest-bearing bank borrowings decreased by 11.1% to 4.8%, as compared to 5.4% in 2023.

8. Renminbi exchange rate against Hong Kong dollars – The depreciation in Renminbi during the year ended 31 December 2024 had a positive financial impact on the Group's operating results.

BUSINESS OUTLOOK AND BUSINESS PLANS

Business Outlook

Looking ahead to 2025, the paint and coating industry in Mainland China is expected to maintain its growth momentum, driven by various sectors such as high technologies, industrial manufacturing, construction and others, amidst the China's overall economic stability. Conversely, the prospects in Hong Kong remains challenging. The market faces constraints due to a lack of sufficient project volume and possible cash flow strains among property developers and contractors. These issues are likely to have adverse impacts on the construction industry, potentially leading to a decrease or, at best, uncertain growth in Hong Kong's paint and coating market.

Furthermore, the industry is expected to shift towards more sustainable and environmentally-friendly products, driven by the increasing awareness of environmental issues and a growing demand for eco-friendly products. In Mainland China, the industry is likely to continue benefiting from the government's emphasis on urbanisation, particularly with ongoing projects focused on upgrading older neighbourhoods. In Hong Kong, the government's commitment on sustainability and green initiatives create favourable landscapes for paint and coating manufacturers to offer environmentally-friendly products. This aligns with the government's plan to cultivate a green economy and invest in sustainable infrastructure.

Overall, the paint and coating industry in Mainland China seems poised for moderate growth prospects. Conversely, Hong Kong may encounter certain challenges that could constrain its growth potential. Certainly, enhancement in innovation and sustainability performance are vital for thriving amid the divergent market conditions. The strategy aligns with the Group's environmental commitments and strategically positions it to capitalise on emerging market opportunities in both regions.

Business Plans

As one of the paint and coating manufacturers in Mainland China and Hong Kong, the Group recently encountered several substantial challenges. Since 2023, the Group launched a comprehensive initiative to restructure its business model. Following that, a partial optimisation of profitability was noted in 2024, as evidenced by improved gross profit margins. Financial stability was further strengthened due to the reduction in interest-bearing bank borrowings, thereby liquidity was enhanced as a higher liquidity ratio was observed. The Group also secured additional financial resources from several financial institutions and its parent company. Throughout 2024, the paint and coating industry faced persistent and intense competition, leading to price differentiation and further compressing profit margins for manufacturers. Economic contraction also intensified the pressure on the industrial sector, as highlighted by persistently low PMI and PPI indices throughout the year. This decline was exacerbated by diminishing raw material prices, driven by reduced consumer demand in Mainland China. The devaluation of real estate further impacted consumer wealth, leading to a decrease in purchasing power. Consequently, the Group experienced a significant 33.5% decline in sales of paint and coating products in 2024. Despite these challenges, the Group remained committed to adapting to the evolving market dynamics through ongoing strategic restructuring and financial stabilisation.

In response to the substantial 33.5% decline in sales recorded in 2024, the Group strategically prioritises the stabilisation the volume and value of sales within its paint and coating product lines in 2025. This stabilisation holds paramount importance prior to embarking upon growth enhancements. Concurrently, the Group is working to optimise its financing arrangements by reducing borrowing costs and improving the efficiency of recovery from trade and bills receivables. Since 2023, the Group has been implementing a series of business initiatives to achieve these objectives. These initiatives include (i) exploring diversified financing facilities to ensure sustainable liquidity; (ii) negotiating terms to minimise interest burdens; and (iii) deploying refined credit management strategies to expedite the turnover of trade and bills receivables. 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:

BUSINESS OUTLOOK AND BUSINESS PLANS (continued)

Business Plans (continued)

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

Given the challenging economic landscape, the Group encountered notable hurdles when leveraging strategic partnerships for product expansion in 2024. The collaborative efforts initiated in 2022 aimed at diversifying the product portfolio through innovative formulas and patent-sharing successfully expanded market reach in 2023. However, the prevailing economic conditions significantly hampered these initiatives in 2024.

Despite the introduction of modified products and offering flexible pricing to accommodate diverse customer needs, a pronounced contraction in the industrial sector led to a 38.1% decline in the Group's sales of paint and coating products in Mainland China. The downturn was driven by a persistently low PPI and a sustained decline in raw material prices, exacerbated by current consumer demand trends. Furthermore, with a considerable portion of household wealth tied to depreciating real estate values, consumer spending remained subdued.

In response, the Group implemented strategic adjustments, enhancing purchase incentives and recalibrating pricing strategies. These measures, however, had limited success in reversing the sales decline. Overall, while the foundational strategy aimed to enhance customer retention and satisfaction, the adverse economic environment necessitated a re-evaluation of tactics to sustain growth and counteract declining sales performance.

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 2024, the outstanding balance was HK$107.90 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 swapping by securing low-cost borrowings in Mainland China and replacing high-cost borrowings in Hong Kong. As a direct consequence of these strategic financial undertakings, the total interest-bearing bank and other borrowings experienced a reduction of 9.6%, declining to HK$195.97 million as at 31 December 2024, as compared to HK$216.72 million as at 31 December 2023. Concurrently, the liquidity ratio of the Group experienced an increase of 3.8%, aligning to 1.35 as at 31 December 2024 from 1.30 as at 31 December 2023. This repositioning underscored the Group's deliberate efforts to augment financial efficiency whilst preserving robust debt management and operational liquidity.

BUSINESS OUTLOOK AND BUSINESS PLANS (continued)

Business Plans (continued)

2. Strategic Financial Restructuring and Optimisation (continued)

Restructuring of Financing Arrangements for Enhanced Cost Efficiency

In 2024, the Group strategically extended its banking facilities in Mainland China, for the purpose of enhancing its financing structure by obtaining low-cost borrowings in Mainland China and replacing the highest-cost borrowings that previously obtained in Hong Kong. Consequently, as at 31 December 2024, there was a notable increase in bank borrowings from Mainland China, coupled with a significant reduction in bank borrowings from Hong Kong. As at 31 December 2024, the proportion of interest-bearing bank borrowings denominated in Renminbi rose to 76.2%, up from 41.4% as at 31 December 2023. The average interest-bearing bank borrowing rate for the year ended 31 December 2024 significantly decreased by 11.1% to 4.8%, in contrast to 5.4% for the year ended 31 December 2023. This restructuring initiative remains an ongoing component of the Group's strategy, with plans to continue efforts throughout 2025. It is important to consider that during certain transitional phases in 2025, the Group may experience temporary increases in its gearing ratio. However, this strategy is intended to enable a further reduction in finance costs over time. Consequently, the restructuring of financing arrangements is anticipated to further reduce the overall cost of bank borrowings.

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. 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 is 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 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

In 2023, amidst economic uncertainties arising from heightened financial stress among property developers in Mainland China, the Group judiciously tackled these challenges through adept credit management. This included 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 2024, the gross trade and bills receivables connected to property developers and contractors recorded a decrease of 15.8% compared to 2023. This reduction was primarily attributed to settlements rather than write-offs.

BUSINESS OUTLOOK AND BUSINESS PLANS (continued)

Business Plans (continued)

3. Proactive Credit Management and Provision for Impairment of Trade and Bills Receivables (continued)

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 2024, there was a notable reduction in the total gross trade and bills receivables compared to 2023, achieved entirely through settlements being made by payment.

Additionally, the determination of the amount of impairment provision for trade and bill receivables to be consistent with the prudent risk management practices and accounting standards confirming the Group's commitment to effectively manage credit risks and ensure 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 or arbitration 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 impairment provision for trade and bill 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 was decreased by 28.6% to approximately HK$47.92 million for the year ended 31 December 2024, as compared to a loss of approximately HK$67.12 million for the year ended 31 December 2023. Despite this improvement, a loss persisted due to several key factors. The Group's gross profit margin showed considerable advancement, rising by 6.6 percentage points to 40.2% in 2024 from 33.6% in 2023. However, the reduction in gross profit was primarily due to a significant 33.5% decline in sales of paint and coating products. Additional financial pressures included a HK$24.19 million provision for impairment of trade and bill receivables, along with legal and professional fees totalling HK$7.03 million related to efforts to recover aged receivables. These financial outcomes illustrated the broader impact of challenging market conditions and the dynamic nature of the industry's competitive landscape. The downturn in paint and coating product sales was attributed to shifts in industrial demand across various sectors and intensified market competition, which adversely affected overall profitability. Furthermore, the provision for impairment of trade and bills receivables was implemented in accordance with prudent risk management policies and accounting standards, demonstrating the Group's commitment to efficient credit risk management.

SEGMENT INFORMATION

Business Segments

Paint and coating products

Paint operation continued to be the largest contributor to revenue, generating approximately HK$298.34 million, which accounted for 92.8% of the Group's total revenue. However, the paint and coating industry reported a decrease in overall total gross profit for the year 2024, driven by a continued intense competition, a noticeable contraction due to subdued domestic demand, decreased consumer spending, and a slowdown in construction activity across multiple sectors, leading to a 33.5% decrease in segment revenue when compared to 2023. Despite these challenges, the paint and coating sector gained from declining production costs. Crude oil prices steady at about US$75 per barrel in 2023 and 2024 following significant past volatility, the industry utilised stable cost forecasts to boost profitability. This stabilisation reduced raw material costs for paint and coating products amid changing price dynamics. In response to fierce competition and fluctuating demand, the Group implemented business revamp measures and initiatives, leading to an increase in its gross profit margin by 5.1 percentage points, raising to 35.6% from 30.5% in 2023. Despite improved operational efficiency, the Group recorded a segment loss of approximately HK$47.79 million for the year ended 31 December 2024, representing a 17.8% reduction, as compared to the segment loss of HK$58.15 million for the year ended 31 December 2023. This segment loss was chiefly attributed to a substantial 33.5% decrease in sales of paint and coating products, coupled with a provision of approximately HK$24.19 million for impairment of trade and bills receivables. This was in line with HKFRS 9 standards, taking into account historical credit loss experience, forward-looking information, and the probability of default considering current market conditions in the property development and construction sectors.

Property investment

The property investment segment of the Group recorded a segment revenue of HK$23.01 million for the year ended 31 December 2024, which accounted for 7.2% of the total revenue of the Group. The segment profit for the year was increased by 90.2% to approximately HK$12.09 million, in comparison to the segment profit of approximately HK$6.36 million for the year ended 31 December 2023. This impressive growth was mainly driven by a notable increase in rental income from investment properties of HK$2.40 million, coupled with the shifts in the net fair value losses of investment properties. The net fair value losses of investment properties narrowed to HK$7.98 million for the year ended 31 December 2024, reflecting an improvement from a HK$11.48 million for the year ended 31 December 2023. A significant factor was the full-year leasing of the Zhongshan Production Plant, complemented by the leasing of the Shanghai Production Plant that began after the first quarter of 2024, both bolstering rental income substantially. This scenario starkly contrasts with 2023, when properties began the year unleased, operating under only partial leasing arrangements.

Geographical Segments

The businesses of the Group are operated in Mainland China and Hong Kong. For the year ended 31 December 2024, revenue from operations in Mainland China and Hong Kong amounted to HK$264.15 million (2023: HK$410.02 million) and HK$57.20 million (2023: HK$59.07 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$169.25 million as at 31 December 2024, as compared to HK$144.94 million as at 31 December 2023. This notable increase was driven by proficient management of working capital and enhanced efficiency in the collection of trade and bills receivables, despite a 3.2% depreciation in Renminbi. The total cash and bank balances including pledged deposits, amounted to approximately HK$191.46 million as at 31 December 2024 (31 December 2023: HK$243.94 million). Bank and other borrowings amounted to approximately HK$195.97 million as at 31 December 2024 (31 December 2023: approximately HK$216.72 million). The Group's bank and other borrowings mainly bear interest at floating rates. As at 31 December 2024, the Group's total bank and other borrowings amounted to approximately HK$88.07 million (44.9%) (31 December 2023: approximately HK$120.75 million (55.7%)) and were payable within one year or on demand. An amount of the remaining balance of approximately HK$107.90 million (55.1%) (31 December 2023: approximately HK$95.97 million (44.3%)) is payable in the third to fifth years. Furthermore, as at 31 December 2024, the Group maintained unutilised financing facilities from the banks and other approximately HK$376.70 million, as compared to HK$258.40 million as at 31 December 2023.

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 arises.

Gearing ratio of the Group, expressed as a percentage of total bank and other borrowings to shareholders' funds, was 52.0% as at 31 December 2024. This marked an increase from the 48.8% recorded as at 31 December 2023. The primary factor contributing to this increase was the 3.2% depreciation of the Renminbi, which accounted for 96.9% of the total increase in the gearing ratio. Liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.35 times as at 31 December 2024, showing an increase from 1.30 times as at 31 December 2023. This improvement was largely due to effective management of working capital and enhanced efficiency in the collection of trade and bills receivables.

Furthermore, as at 31 December 2024, net current assets were reduced by 17.3%, amounting to approximately HK$95.05 million, which was a decrease from approximately HK$114.96 million as at 31 December 2023. This reduction, totalling HK$19.91 million, was less than the HK$24.19 million allocated for the impairment of aged trade and bills receivables. Despite this decrease, the Group's net working capital exhibited improvement, as demonstrated by a 3.8% increase in the liquidity ratio. This enhancement was attributed to prudent financial and strategic management, as outlined in the "Strategic Financial Restructuring and Optimisation" section of the "Business Plans". The main factor contributing to this positive development was the optimisation of the capital structure, achieved through the reduction and repayment of various outstanding short-term bank borrowings, along with their conversion into long-term borrowings from the holding company. These strategic actions improved the Group's liquidity and financial stability compared to the previous year.

LIQUIDITY AND FINANCIAL INFORMATION (continued)

Liquidity and Indebtedness (continued)

During the year ended 31 December 2024, the Group recorded a slight increase in inventory turnover days[1], from 32 days to approximately 36 days, reflecting strategic adjustments within a highly competitive market and fluctuating demand conditions. Despite the significant 33.5% decrease in sales compared to 2023, the Group adeptly managed to reduce inventories by 31.8%, aligning closely with current market conditions. Furthermore, the cost of sales decreased markedly by 38.4%, due to effective cost management and streamlined operations. The increase in inventory turnover days resulted from a more pronounced decrease in the cost of sales relative to average inventory, signifying the Group's proactive approach in maintaining optimal stock levels while enhancing operational efficiency. This strategic approach stabilises the Group's supply chain and positions the Group favourably to seize market opportunities.

During the year ended 31 December 2024, the trade and bills receivables turnover days[2] were decreased to 127 days, as compared to 134 days in 2023. This improvement underscored the effectiveness of the Group's strategic initiatives, particularly in the paint and coating products sector, where the Group adeptly navigated a challenging market. Although there was a decline in sales within this segment, the Group's proactive credit management had demonstrated resilience. As part of the strategy, the Group allocated HK$24.19 million for the provision for the impairment of trade and bills receivables for the year ended 31 December 2024 demonstrated the Group's commitment to financial robustness and maintaining the trade accounts receivable in excellent condition. The Group not only safeguarded its financial position but also reinforced its dedication to transparency and accountability.

Equity and Net Asset Value

Shareholders' funds of the Company as at 31 December 2024 amounted to approximately HK$377.09 million, as compared to approximately HK$444.47 million as at 31 December 2023. Net asset value per share as at 31 December 2024 amounted to approximately HK$0.38, as compared to approximately HK$0.45 as at 31 December 2023. 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 2024, the amount of utilised banking facilities granted to various subsidiaries subject to guarantees given by the Company was approximately HK$21.00 million (31 December 2023: approximately HK$70.80 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 were secured by the pledged deposits of approximately HK$0.64 million as at 31 December 2024 (31 December 2023: approximately HK$0.88 million).

1 The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales times 366 days (31 December 2023: 365 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 366 days (31 December 2023: 365 days).

LIQUIDITY AND FINANCIAL INFORMATION (continued)

Pledge of Assets

As at 31 December 2024, certain investment properties, property, plant and equipment, right-of-use assets and cash deposits with an aggregate net book value of approximately HK$312.08 million, as compared to approximately HK$333.09 million as at 31 December 2023, were pledged to financial institutions as collaterals 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 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 instrument to hedge the foreign currency exposure as at 31 December 2024. The Group will continue to monitor its foreign currency exposure and requirements closely and arrange hedging facilities when necessary.

Capital Expenditure

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

During the year ended 31 December 2023, the Group invested a total sum of HK$3.99 million in the plant and equipment. These investments were recorded in the consolidated financial statements as the property, plant and equipment and the right-of-use asset.

HUMAN RESOURCES

As at 31 December 2024, the Group had 440 employees, representing a significant decrease from the figure of 495 as at 31 December 2023. The staff costs for the year ended 31 December 2024 amounted to approximately HK$80.10 million, excluding directors' emoluments and including equity-settled share-based payments of approximately HK$0.17 million. This represents a decrease from the staff costs of approximately HK$95.81 million and a reduction in equity-settled share-based payments to approximately HK$1.05 million in 2023.

The Group offers comprehensive and competitive staff remuneration and benefits that are based on individual performance. Trainings are provided to employees of the Group depending on their departments and the scope of their responsibilities. The human resources department would also arrange for employees to attend trainings, especially regarding 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 the Group's 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 which resulted in the actual impairment loss being higher than expected, the Group would be required to revise the basis of making the allowance.

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 paints 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 2024, 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 on 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. education to the staff on environmental protection laws and regulations to enhance their awareness on environmental protection.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2024, 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 2024.

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 2024. The Board has not yet authorised any plan for other material investments or additions of capital assets.

CORPORATE GOVERNANCE PRACTICES

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. During the year ended 31 December 2024, the Company has applied the principles and complied with the code provisions as set out in the CG Code except for the following deviation:

The code provision C.2.1 of the CG Code stipulates that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Since 1 April 2023, Mr. Tsui Ho Chuen, Philip has been taking the dual roles of the Chairman and the Managing Director. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Tsui Ho Chuen, Philip, the Board is of the opinion that it is appropriate at the present stage for Mr. Tsui Ho Chuen, Philip to hold both positions as the Chairman and the Managing Director 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 consists of three executive Directors, one non-executive Director and three independent non-executive Directors, the interests of the Shareholders will be adequately and fairly represented. Also, as all major decisions are made in consultation with and approved by the members of the Board, the Board believes that this arrangement will not have negative influence on the balance of power and authorisation between the Board and the management of the Company.

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

CULTURE

The Board dedicates to promote a desired corporate culture that encourages care, innovation, dedication, responsibility and happiness throughout the Group and is committed to maintaining a robust corporate governance and high standard of corporate social responsibility. All Directors and employees of the Group are offered training from time to time to enhance the standards in respect of ethics. The Group has also formulated a sustainability framework focusing on environment protection, resource management, employees and community well-being to ensure that the corporate culture aligns with the purpose, values and strategy.

THE BOARD

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

Executive Directors

Tsui Ho Chuen, Philip *(Chairman and Managing Director)*
Li Guangzhong *(Sales Director)*
Mak Chi Wah *(Finance Director)*

Non-executive Director

Chong Chi Kwan

Independent Non-executive Directors

Chua Joo Bin
Xia Jun
Meng Jinxia

THE BOARD (continued)

The biographical details of the Directors and the relationships among them, if any, are set out in the "Biographies of Directors and Senior Management" on pages 83 to 84. Save as disclosed, the Directors are not related to each other, including financial, business, family or other material/relevant relationship.

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

The Company has mechanisms in place to ensure independent views and input are available to the Board. The non-executive Directors have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has three independent non-executive Directors, representing one-third of the members of the Board, and one of the independent non-executive Directors possesses appropriate professional accounting qualifications or financial management expertise. All the Board committees are chaired by the independent non-executive Director. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independence judgement. None of the independent non-executive Directors receives equity-based remuneration with performance-related elements. A Director (including the independent non-executive Director) who has a material interest in a contract or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all independent non-executive Directors are independent.

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

THE BOARD (continued)

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

Directors	Number of regular Board meetings attended/held	Number of general meeting attended/held
Executive Directors		
Tsui Ho Chuen, Philip	4/4	1/1
Li Guangzhong	4/4	1/1
Mak Chi Wah	4/4	1/1
Non-executive Director		
Chong Chi Kwan	4/4	1/1
Independent Non-executive Directors		
Chua Joo Bin	4/4	1/1
Xia Jun	4/4	1/1
Meng Jinxia	3/4	1/1

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

BOARD DIVERSITY

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

During the year ended 31 December 2024 and as at the date of this report, the female Director accounted for 14.3% of the Board (1 female out of 7 Directors). The Board targets to maintain at least the current level of female representation and will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The Board would seek appropriate candidates to enhance gender diversity of the Board when considering the appointment of new Director and would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, and in accordance with the Listing Rules. The Board and the Nomination Committee shall review the rotation plan of each of the Board members at least once annually for succession planning, and appoint new Director based on the nomination policy of the Company.

The Company has taken necessary steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. For the year ended 31 December 2024, the total workforce of the Group comprised 40.63% female and 59.37% male.

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

NON-EXECUTIVE DIRECTORS

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

DIRECTORS' TRAINING

Every Director must always know his/her responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed Director would receive an induction package covering the Group's businesses, the statutory and regulatory obligations and duties of a director of a listed company. The Company continuously updates the Directors on the Group's businesses and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Directors participated in the following training:

Directors	Type of training
Executive Directors	
Tsui Ho Chuen, Philip	A, B, C
Li Guangzhong	A, C
Mak Chi Wah	A, B, C
Non-executive Director	
Chong Chi Kwan	A, B, C
Independent Non-executive Directors	
Chua Joo Bin	A, B, C
Xia Jun	A, B, C
Meng Jinxia	A, B, C

A: Reading materials given by the Company relating to the Company's businesses and the regular updates on the Listing Rules and other applicable regulatory requirements relevant to the director's duties and responsibilities

B: Attending briefings/seminars/conferences relevant to the director's duties and responsibilities

C: Reading newspapers, journals and updates relating to the economy, environment and social issues or the director's duties and responsibilities

BOARD COMMITTEES

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

Audit Committee

During the year, the Audit Committee consisted of three non-executive Directors (the majority of whom are independent): Mr. Chua Joo Bin (AC Chairman), Mr. Chong Chi Kwan and Mr. Xia Jun.

The Audit Committee met twice during the year to review with the Company's external auditors the reporting of financial and other information to the Shareholders (including the 2023 annual results and the 2024 interim results before recommending them to the Board for approval), the accounting principles and practices adopted by the Group, the effectiveness and objectivity of the audit process, the effectiveness of the risk management and internal control systems of the Group, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions as well as those relating to the Group's environmental, social and governance performance and reporting. The Audit Committee also considered and approved the revised policy on engaging the external auditors to supply non-audit services. The Audit Committee resolved by resolutions in writing to approve (i) the fee, terms and conditions of engaging the external auditors of the Company to audit and report on the financial statements of the Group for the year ended 31 December 2023; and (ii) approve the scope and extent of the agreed-upon procedures engagement with respect to the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2024. The Audit Committee also keeps under review the independence and objectivity of the Company's external auditors and the non-audit services provided by the Company's external auditors to the Group. The attendance record of each committee member is set out below:

Directors	**Number of committee meetings attended/held**
Chua Joo Bin *(AC Chairman)*	2/2
Chong Chi Kwan	2/2
Xia Jun	2/2

BOARD COMMITTEES (continued)

Remuneration Committee

During the year, the Remuneration Committee comprised two independent non-executive Directors and one non-executive Director: Mr. Xia Jun (RC Chairman), Mr. Chong Chi Kwan and Mr. Chua Joo Bin.

The primary objectives and duties of the Remuneration Committee are set out in its terms of reference adopted in compliance with the requirements under the CG Code, which include, inter alia, making recommendations to the Board on the remuneration policy and structure for all the Directors and the senior management of the Company and on the establishment of a formal and transparent procedure for developing its remuneration policy and reviewing and approving matters related to share option schemes. The remuneration of the executive Directors is determined by the Remuneration Committee and the remuneration of the non-executive Directors is determined by the Board on the recommendation of the Remuneration Committee, by reference to their duties and responsibilities, performance, experiences, time commitment, market conditions and the corporate goals and objectives as set by the Board. No Director is involved in deciding his/her own remuneration. Details of the remuneration of the Directors are set out in note 9 to the financial statements. During the year, the Remuneration Committee held one meeting to review and approve the remuneration policy and remuneration packages of the Directors and senior management of the Company. The attendance record of each committee member is set out below:

Directors	Number of committee meetings attended/held
Xia Jun *(RC Chairman)*	1/1
Chong Chi Kwan	1/1
Chua Joo Bin	1/1

The remuneration paid to the members of senior management of the Company by band during the year is set out below:

Remuneration Band	Number of Individuals
HK$500,001-HK$1,000,000	1

Nomination Committee

During the year, the Nomination Committee comprised two independent non-executive Directors and one executive Director: Mr. Xia Jun (NC Chairman), Mr. Tsui Ho Chuen, Philip and Mr. Chua Joo Bin.

The Nomination Committee met once during the year to review the structure, size, composition and diversity of the Board and assess the independence of independent non-executive Directors, to recommend the re-election of retiring Directors, to review the board diversity policy, the nomination policy, and policy on independence of Directors of the Company, and to approve the revised nomination procedures, process, and criteria to select and recommend candidates for directorships of the Company. The attendance record of each committee member is set out below:

Directors	Number of committee meeting attended/held
Xia Jun *(NC Chairman)*	1/1
Tsui Ho Chuen, Philip	1/1
Chua Joo Bin	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

INTERNAL AUDIT

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

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

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

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

POLICY ON DISCLOSURE OF INSIDE INFORMATION

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. After specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2024.

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

EXTERNAL AUDITORS' REMUNERATION AND RELATED MATTERS

In 2024, the remuneration of the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	**Remuneration**
	HK$
Audit services	2,566,000
Non-audit services	294,500
	2,860,500

The non-audit services rendered by the Company's external auditors to the Group included performance of agreed-upon procedures on the 2024 interim financial statements and the preliminary results announcement for the year ended 31 December 2024, the audit examination of the statement on details of contribution of the Group's occupational retirement schemes and performance of a review on continuing connected transactions for the year ended 31 December 2024.

RESPONSIBILITY STATEMENTS

The Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements for the year ended 31 December 2024, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The statement by the Company's external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 91 to 94.

COMMUNICATION WITH SHAREHOLDERS

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

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

The 2024 AGM provided an opportunity for communication between the Shareholders and the Board, at which the Chairman and the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee had attended to answer questions from the Shareholders. Details of the procedures for conducting a poll were explained at the commencement of the meeting. In accordance with the Listing Rules, the votes of Shareholders at the meeting were taken by poll and the poll results were published on the websites of each of the Company and Hong Kong Exchanges and Clearing Limited after the meeting. A separate resolution was proposed at the meeting on each substantial issue, including the re-election of Directors.

DIVIDEND POLICY

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

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

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

SHAREHOLDERS' RIGHTS (continued)

Putting forward proposals at general meeting

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

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

Making enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

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

On behalf of the Board
CPM Group Limited

Tsui Ho Chuen, Philip
Chairman and Managing Director
Hong Kong, 27 March 2025

Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

The Board is pleased to present the environmental, social and governance ("ESG") report (the "ESG Report") of the Company for the year ended 31 December 2024 (the "Reporting Period"). The ESG Report outlines the policies, sustainability strategies, management approaches and initiatives implemented by the Group and the performance of the Group in environmental and social aspects of its business.

Reporting Scope

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

Reporting Basis

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

Reporting Principles

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

1. **Materiality**

   The threshold at which ESG issues determined by the Board are sufficiently important to investors and other stakeholders of the Group that they should be reported, details of which are set out in the sections headed "Stakeholders' Engagement" and "Materiality Assessment" below.

2. **Quantitative**

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

3. **Balance**

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

4. **Consistency**

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

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board Statement

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

Report of Chairman

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

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

Following the removal of quarantine restrictions worldwide and the reopening of the border between Hong Kong and Mainland China, the economy has been gradually recovering. However, heightened economic uncertainties in the globe and Mainland China have led to an increased market volatility. In addition, the pace of economic recovery was slower than expected, posing challenges to the business of the Group. In response to these challenges, the Group continues to take proactive steps, including strengthening of its review process on ESG-related risks and opportunities, adapting to changes caused by the external environment and continuing to promote measures to revitalize the business of the Group. Aside from this, the Group keeps paying attention to the employee remuneration and benefits, career development opportunities, provides a safe working environment to employees, keeps the initial aim of embracing corporate social responsibility, actively participates in public welfare undertakings, continues to allocate resources to optimise various emission treatment facilities, adjusts the product structure and manufactures more environmental-friendly products to contribute positively to the global climate change. At the same time, the Group continues to assess climate risks and study various adaptation methods to help coping with potential challenges. By doing these, we can seize opportunities in the face of crisis during hard time.

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

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

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Governance Structure

The Board believes that sound ESG strategies can create investment value for the Group and deliver long-term returns to its stakeholders. The establishment of an appropriate governance framework is critical to the successful implementation of the ESG sustainability strategies of the Group. Therefore, the Group sets up the ESG governance structure with clear duties and responsibilities. The Board sets long-term policies and strategies for all sustainability matters, reviews the implementation status and progress of ESG work annually and reports on its performance. The Board also identifies, reviews and evaluates the corporate responsibility, sustainability and climate change response of the Group through internal meetings. The management team reports to the Board on a regular basis to assist the Board in assessing and determining whether the Company has established an appropriate and effective internal control system to contain the ESG risks. At the operational level, functional units are responsible for ensuring the integration of sustainability strategies and practices into the business operations of the Group and exploring new action plans or initiatives.

The Board	Board members are responsible for: ■ Developing long-term sustainable development policies and strategies ■ Assessing and identifying ESG risks and opportunities ■ Ensuring appropriate and effective ESG risk management and internal monitoring systems ■ Reviewing and approving policies, objectives and action plans or measures related to ESG ■ Approving the ESG Report
Management Team	The management team is responsible for: ■ Developing and reviewing ESG-related policies, objectives and action plans or measures ■ Monitoring and reporting to the Board on the progress and quality of implementation of the action plans or measures ■ Identifying ESG risks and opportunities ■ Reviewing the ESG Report
Functional Departments	The functional departments are responsible for: ■ Identifying, assessing, defining and reporting to management on significant ESG issues ■ Performing ESG risk management and internal monitoring ■ Ensuring ESG policies, objectives and action plans or measures are integrated into business operations ■ Reporting to management on progress and quality of action plans or measures

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

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement

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

Stakeholders	Expectations and requests	Means of communication	Management response
Government/ regulatory organisations	➢ Compliance with the applicable laws and regulations ➢ Fulfill tax obligation ➢ Green operation	➢ Periodic reports or announcements ➢ Communicate regularly with regulatory agencies ➢ Handle official business through government affairs website or application	➢ Uphold integrity and operational compliance ➢ Pay tax on time and make contribution to society ➢ Establish comprehensive and effective internal control and environmental management systems ➢ Fully implement safety production responsibility system ➢ Actively implement various clean production measures
Shareholders/ investors	➢ Return on investment ➢ Information transparency ➢ Corporate governance system ➢ Operational risk management	➢ Information disclosed on the official websites of the Stock Exchange and the Company ➢ Website and WeChat official account of the Company ➢ General meeting ➢ Investor meeting or production plants visit	➢ Management possesses relevant experience and professional knowledge in business sustainability ➢ Regular information dissemination by publications on the official websites of the Stock Exchange and the Company ➢ Dedicate to improvement in internal control and focus on risk management ➢ Effectively exchange opinions with investors through various communication channels

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement (continued)

Stakeholders	Expectations and requests	Means of communication	Management response
Employees	➢ Labour rights ➢ Career development ➢ Compensation and welfare ➢ Health and workplace safety	➢ Employee performance evaluation ➢ Induction and on-the-job training ➢ Employee satisfaction survey ➢ Internal meetings and announcements ➢ Communication through emails, phone calls and communication applications	➢ Set up contractual obligations to protect labour rights ➢ Encourage employees to participate in continuous education and professional training to enhance competency ➢ Establish a fair, reasonable and competitive remuneration scheme ➢ Pay attention to occupational health and workplace safety ➢ Regularly provide employees with physical examinations and conduct occupational disease hazard tests on key positions to identify the sources of various occupational hazards and develop an appropriate action plan as soon as possible
Customers	➢ High-quality and diversified products and customer services ➢ Protect customer rights ➢ Timely delivery ➢ Reasonable price	➢ Business visit ➢ Communication through emails, phone calls and communication applications ➢ Customer service team ➢ Customer satisfaction survey ➢ Product promotion meeting	➢ Improve the quality of products and services continuously in order to satisfy customers' requirements ➢ Establish an effective, efficient and green supply chain system ➢ Formulate comprehensive quality assurance process and recall procedures ➢ Provide multiple channels for product anti-counterfeiting inquiries to combat counterfeit and inferior behaviours so as to protect consumer rights ➢ Ensure the performance of contractual obligations ➢ Establish and continuously improve the pre-sales, in-sales and after-sales services and customer training systems

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Stakeholders' Engagement (continued)

Stakeholders	Expectations and requests	Means of communication	Management response
Suppliers	➢ Stable demand ➢ Good relationship with the Company ➢ Corporate reputation	➢ Business visit ➢ Communication through emails, phone calls and communication applications	➢ Ensure the performance of contractual obligations ➢ Establish policies and procedures regarding supply chain management ➢ Establish and maintain long-term co-operation relationships with quality suppliers ➢ Stringent selection of suppliers
Community	➢ Environmental protection ➢ Reduce greenhouse gas emissions and waste generation ➢ Effective resources utilisation ➢ Community contribution ➢ Economic development and community employment	➢ Use website and WeChat official account of the Company and information publicity website of government department to publish the information of the Company ➢ Participate in community activities	➢ Pay attention to the problem of climate change and actively take various clean production measures ➢ Continue to invest resources in environmental protection ➢ Actively innovate environmental protection technology ➢ Strengthen management in energy saving and emission reduction ➢ Encourage employees to participate in charitable activities and voluntary services ➢ Maintain good and stable financial performance and business growth

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Materiality Assessment

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

Identification

- Through diverse channels and internal discussions
- Examines and adopts the ESG issues of concern in the past stakeholders' engagement
- Draws attention to emerging ESG issues

Prioritisation

- Synthesises, analyses and evaluates the views of all parties to identify and prioritise potential and important issues
- Develops materiality matrix based on the importance of the issue to the Group and its key stakeholders

Validation

- Interacts with the management team to validate the materiality assessment and ensure that these issues are aligned with the sustainable development direction sought by the Group
- Reports the materiality assessment to the Board and makes the required disclosures in the ESG Report

MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (continued)

Materiality Assessment (continued)

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

Materiality Matrix

Importance to Stakeholders \ Importance to the Group	Low	Medium	High
High	◆ Anti-discrimination ◆ Protecting labour rights	◆ Talent management ◆ Staff training and promotion opportunities ◆ Staff compensation and welfare	➢ Customers' satisfaction level ➢ Product quality and safety ➢ Suppliers management ◆ Occupational health and workplace safety ✧ Application of clean production and green products
Medium	➢ Community involvement	➢ Anti-corruption ➢ Intellectual property rights ✧ Air and greenhouse gas emissions ✧ Use of resources ✧ Climate change	➢ Operational compliance ➢ Protecting customers' privacy ➢ Product labelling ✧ Air emissions ✧ Sewage discharge
Low	◆ Preventive measures for child and forced labour	✧ Use of water resources ✧ Non-hazardous waste produced	✧ Use of raw materials ✧ Hazardous waste produced

✧ Environmental ◆ Employee ➢ Operational

ENVIRONMENTAL PROTECTION

Emissions Management

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

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

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

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

1. *Management of Air and Greenhouse Gas Emissions*

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

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

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

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

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

Notes:

1 RoHS is a directive issued by the European Union to restrict the use of certain identified hazardous substances in products. It restricts the concentration of four hazardous substances, namely lead, cadmium, mercury and hexavalent chromium and two flame retardants, namely polybrominated biphenyls and polybrominated diphenyl ethers, in products.

2 REACH is a standard established by the European Union to restrict the production and use of various chemicals so as to reduce the potential negative impact of those chemicals on human health and the environment.

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

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

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

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

At the beginning of the Reporting Period, the Group set a target to reduce the emission of waste gas and greenhouse gas by 3% when compared with the previous year. The Group has achieved the target set for the current year. Please refer to the sections headed "Conservation on Gasoline, Diesel and Refrigerant Consumption", "Conservation on Electricity Consumption" and "Summary of Environmental Data and Performance" below for the relevant data.

2. *Management of Wastewater*

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

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

2. *Management of Wastewater* (continued)

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

The safety and environmental protection department of the Group is responsible for managing the industrial wastewater treatment, monitoring the progress of the sewage treatment process of the production plants, evaluating and analysing the environmental performance. An online automatic monitoring system has been set up in the production plants to monitor the total phosphorus, ammonia nitrogen, chemical oxygen demand, pH value and flow at the sewage discharge port. The Group also regularly conducts emergency drills for leakage in the pipeline network of the sewage treatment facilities so that employees can carry out relevant emergency treatment in a timely, effective and safe manner when an accident occurs to prevent secondary pollution to the environment and injury to employees from happening. The Group has engaged local environmental accredited companies to perform tests and measurements on the pH value, suspended substance, ammonia nitrogen, 5-day biochemical oxygen demand and chemical oxygen demand of wastewater at sewage discharge port of each production plant according to the national technical specifications. The local Ministry of Ecology and Environment also performs unscheduled inspections on sewage for about four times a year. During the Reporting Period, all the tests conducted by each production plant met the requirements of the emission limits and the Group has not received any notification of illegal treatment or discharge of wastewater. During the Reporting Period, the Group generated approximately 7,376.00 tonnes of non-hazardous wastewater, representing a decrease of approximately 2,819.00 tonnes or 27.65% when compared with last year. This is mainly due to the decrease in the headcount of the employees of the Zhongshan Production Plant, thereby decreasing the domestic wastewater and the emission intensity of non-hazardous wastewater also decreased as a result. At the beginning of the Reporting Period, the Group estimated that the emission intensity of non-hazardous wastewater would decrease by 5% when compared with the previous year. The target set at the beginning of the Reporting Period has been achieved this year. Please refer to the below table and the section headed "Summary of Environmental Data and Performance" below for the relevant data.

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

2. *Management of Wastewater* (continued)

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

NON-HAZARDOUS WASTEWATER	2024 (Tonnes)	2023 (Tonnes)
Total	7,376.00	10,195.00
Intensity[1]	67.47	73.44

Note:

1 The emission intensity is calculated in terms of the production per hundred tonne.

3. *Management of Disposal of Solid Waste*

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

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

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

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

- ➢ Continuously optimise the production plan for improving the productivity and ensuring the product quality, and take into account the order of putting raw materials in the paint mixing tank, thereby reducing the frequency of cleaning the paint mixing tank for reducing waste paint residue and non-hazardous sludge generated from the production process;

- ➢ Strengthen the maintenance of environmental protection equipment to prevent unnecessary hazardous and non-hazardous solid waste generated from the abnormal operation of the equipment;

- ➢ Actively seek qualified recyclers or suppliers who possess the required recycling technology to recycle different wastes (such as iron-based packaging waste, paper-based packaging waste) generated from operation and production;

- ➢ In the pre-shift and daily routine meetings, continue to remind employees about the importance of environmental protection and instill different environmental protection knowledge to employees;

- ➢ Formulate operating procedures for different equipment, provide trainings to employees and strictly require employees to follow the established procedures to reduce waste;

- ➢ Set up waste classification and recycling bins in the production plants, and educate employees to pay attention to waste classification for increasing the waste recycling and reuse rate;

- ➢ Encourage employees to communicate internally in electronic form;

- ➢ Encourage employees to reuse paper or stationery as much as possible, such as single-sided paper, envelopes, folders, etc.; and

- ➢ Reduce the use of disposable consumables, including food packaging boxes, paper cups, paper plates, plastic bags, etc.

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

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

Hazardous Solid Waste

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

The responsible departments and functional departments strictly follow the Regulations on the Safety Management of Dangerous Chemicals, Regulations on the Management of Transportation of Dangerous Goods, General Rules for the Storage of Commonly Used Dangerous Chemical, General Rules for the Classification of Chemicals and Hazard and relevant laws and regulations, as well as internal policies and procedures to purchase, use, transport and store hazardous substances (such as chemicals). The Group also takes necessary protective measures when handling hazardous chemicals, such as demanding the raw materials suppliers to comply with relevant laws and regulations by signing an agreement, explicitly stating the safety and environmental requirements on hazardous chemicals packing, transportation and discharge process. The Group has also installed a number of online surveillance cameras in dangerous goods warehouses to enable real-time spot checks by the local government departments and increased the frequency of warehouse inspections to prevent environmental pollution caused by leakage. The Group has established a Management Plan for Disposal of Chemical Waste to report all discarded hazardous chemicals to the environmental protection department and maintained a register recording the information about the discarded hazardous chemicals. The Group also registers the transfer of hazardous waste on the national solid waste management information platform. Approval from the environmental protection authorities is required prior to the disposal of hazardous waste so as to prevent the recyclers from illegal disposal of the wastes that would harm the environment. Following the cessation of the production plant in Hubei (the "Hubei Production Plant") at the end of March 2023, it was required to clean up solid waste within the production plant. Hence, the Hubei Production Plant did not generate any solid waste during the Reporting Period. However, the Xinfeng Production Plant increased the use of activated carbon to treat the waste gas to meet the emission standards during the Reporting Period, resulting in a higher volume of waste activated carbon. As the abovementioned reasons, the hazardous solid waste generated by the Group during the Reporting Period decreased by approximately 10.62 tonnes or 30.70% when compared with the previous year and a total of approximately 23.97 tonnes of hazardous solid waste was generated.

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

HAZARDOUS SOLID WASTE	2024 (Tonnes)	2023 (Tonnes)
Total	23.97	34.59
Intensity[1]	0.22	0.25

Note:

1 The production intensity is calculated in terms of the production per hundred tonne.

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

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

Non-Hazardous Solid Waste

The Group established different appropriate recycling and disposal methods based on the source of non-hazardous waste. The production department of the Group is responsible for sorting and transporting waste, such as utilisation packaging materials and cardboards at designated storage locations and engaging with local environmental accredited recyclers to handle the waste. Besides, the Group recycles and reuses papers in the office in order to maximise the resources utilisation rate. For details, please refer to the section headed "Paper Conservation" below. The Group strictly complies with the Measures for the Management of Municipal Solid Waste and relevant laws and regulations to monitor, collect and dispose of domestic waste, to educates employees to reduce waste at the source, to enhance employee awareness in waste categorisation and to remind them how their behaviour will affect the environment. During the Reporting Period, the Group generated approximately 94.92 tonnes of non-hazardous solid waste, representing a decrease of approximately 39.96 tonnes or 29.63% when compared with last year. This is mainly due to the decrease in the number of the employees in the Zhongshan Production Plant, resulting in decreasing the domestic waste generated. At the same time, the Zhongshan Production Plant has no residual at the waste filtration tank that needs to be treated due to the cancellation of Class A production workshop in the current year and the science and technology department and the quality department have no retained samples that need to be treated.

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

NON-HAZARDOUS SOLID WASTE	2024 (Tonnes)	2023 (Tonnes) (Restated)
Total	94.92	134.88
Intensity[1]	0.87	0.97

Note:

1 The production intensity is calculated in terms of the production per hundred tonne.

ENVIRONMENTAL PROTECTION (continued)

Emissions Management (continued)

4. Management of Noise

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

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

Management of Use of Resources

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

1. Energy Conservation

Conservation on Gasoline, Diesel and Refrigerant Consumption

Gasoline and diesel are mainly consumed by the business vehicles of the Group and warehouse forklifts. The Group has formulated Measures for Management of Vehicle to manage the daily use of vehicles. The vehicle users are required to complete the Application Form for the Use of Vehicles and obtain prior approval before using the business vehicles. The Group encourages employees to use public transportation when travelling to locations with good public transportation networks. Besides, drivers must plan the routes before using vehicles and take the shortest route and the most efficient way to the destination in order to shorten the driving distance and reduce exhaust air emissions. Drivers have to check the vehicles before use so as to prevent any environmental and safety issues due to parts failure. The finance department of the Group checks and analyses the monthly fuel consumption, investigates abnormal fuel consumption cases and requests the vehicle users to explain any abnormal situation. During the Reporting Period, the Group consumed a total of approximately 41.36 tonnes of gasoline, representing a decrease of approximately 2.06 tonnes or 4.74% when compared with the previous year. This is mainly due to the decrease in the number of business trips. The Group consumed approximately 11.84 tonnes of diesel, representing a decrease of approximately 0.59 tonnes or 4.75% when compared with the previous year. This is mainly due to the decrease in the use of diesel for electric generator.

ENVIRONMENTAL PROTECTION (continued)

Management of Use of Resources (continued)

1. *Energy Conservation* (continued)

Conservation on Gasoline, Diesel and Refrigerant Consumption (continued)

At the beginning of the Reporting Period, the Group set targets to reduce the consumption of gasoline and diesel by 3% when compared with the previous year. The Group has achieved the targets set for the current year. For details, please refer to the table below and the section headed "Summary of Environmental Data and Performance" below.

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

	2024		2023	
	Consumption	CO_2 Equivalent Emissions (Tonnes)	Consumption	CO_2 Equivalent Emissions (Tonnes)
Gasoline	41.36 Tonnes	150.24	43.42 Tonnes	158.21
Diesel	11.84 Tonnes	36.88	12.43 Tonnes	38.71
Refrigerant	–	–	13.60 Kilograms	24.62
Group's Total Emission		187.12		221.54
Group's Emission Intensity[1]		1.71		1.60

Note:

1 The emission intensity is measured in terms of the production per hundred tonne.

Conservation on Electricity Consumption

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

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

ENVIRONMENTAL PROTECTION (continued)

Management of Use of Resources (continued)

1. *Energy Conservation* (continued)

Conservation on Electricity Consumption (continued)

During the Reporting Period, the Group consumed a total of approximately 2,143.02 megawatt hours ("MWh") of electricity, representing a decrease of approximately 71.88 MWh or 3.25% when compared with the previous year. The decline is mainly due to the cessation of operation of the Hubei Production Plant by the end of March 2023, thereby decreasing the production level and the headcount of the employees. In addition, the decrease in the production level and the headcount of employees of the Zhongshan Production Plant further reduced the electricity used in production and living.

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

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

	2024		2023	
	Consumption (MWh)	CO_2 Equivalent Emissions (Tonnes)	Consumption (MWh)	CO_2 Equivalent Emissions (Tonnes)
Electricity	2,143.02	1,309.98	2,214.90	1,354.91
Group's Total Emission		1,309.98		1,354.91
Group's Emission Intensity[1]		11.98		9.76

Note:

1 The emission intensity is measured in terms of the production per hundred tonne.

ENVIRONMENTAL PROTECTION (continued)

Management of Use of Resources (continued)

2. *Water Conservation*

The Group uses the government-supplied water sources and did not encounter any problems in sourcing water during the Reporting Period. The Group has always paid attention to the use of water resources and implemented different measures to encourage its employees to make the best use of water resources and reduce wastage. In compliance with the Law of the People's Republic of China on Use of Water Resources, Regulations on Conservation of Use of Water in Urban Area and relevant laws and regulations, the Group has formulated Procedures for Management of Water Resource and Electricity Consumption to manage the water use efficiency across the production plants and provides trainings for the staff in the production department. The production department sets water efficiency as a performance indicator for its staff to encourage them to actively participate in water efficiency measures. Person-in-charge in each production department and office is required to check the water facilities, pipelines and taps, etc. regularly within their surrounding area to prevent the waste of water. The Group also aims to raise employees awareness of water conservation by posting different water-saving tips at prominent positions. Once the damaged pipe, valve or water leakage is discovered, they shall notify the maintenance department promptly for repair. The engineering department also installed monitoring equipment at different water outlets to track the usage and make adjustment to the water outlets with high water consumption is identified.

Besides, each production plant has implemented a number of water-saving measures, such as reducing the water pressure of the pipes to the lowest level, replacing the ordinary faucets with energy-saving faucets, installing water meters in dormitories to manage employees' water usage, posting water-saving tips at each water usage point, checking all underground water pipes and repair leaks in time, closely monitoring water usage in each production plant, using treated wastewater for plant irrigation. The Group will continue to promote water conservation, enhance the water use monitoring system and pay attention to water management.

During the Reporting Period, the Group consumed a total of approximately 28,142.00 cubic meters of water, representing a decrease of approximately 5,384.00 cubic meters or 16.06% when compared with the previous year. The main reason is that the Hubei Production Plant ceased operation by the end of March 2023, resulting in the reduction of production level and the headcount of employees. In addition, the decrease in the production level and the headcount of employees of the Zhongshan Production Plant this year further reduced the water used in production and living.

At the beginning of the Reporting Period, the Group set a target to reduce the consumption intensity of water by 5% when compared with the previous year. The water consumption decreased resulting from the reduction of production level. However, the water consumption further reduced due to the decrease in the headcount of the employees in the current year, resulting in the increase in the water consumption intensity. For details, please refer to the below table and the section headed "Summary of Environmental Data and Performance" below.

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

WATER RESOURCES	2024 (Cubic Meters)	2023 (Cubic Meters)
Total	28,142.00	33,526.00
Intensity[1]	257.42	241.51

Note:

1 The consumption intensity is measured in terms of the production per hundred tonne.

ENVIRONMENTAL PROTECTION (continued)

Management of Use of Resources (continued)

3. *Management of Use of Packaging Materials*

The packaging materials used by the Group are mainly painting cans, protective rings, cartons and stickers. The marketing department, production planning department and procurement department of the Group follow the Procedures for Control on Procurement to carry out the related procurement processes. The marketing department of the Group formulates product design plans based on the product characteristics of the Group, safety and environmental requirements and the national standards. The production planning department of the Group prepares the requisition form for raw materials procurement according to production needs. The purchasing department of the Group selects suitable suppliers from the approved vendor list according to the design plan and the raw materials requisition form. In order to enhance the warehouse management, the Group has established the Procedures for Control of Warehouse Management to regulate receipt, dispatch and storage of packaging materials and to carry out physical count and sample checks of the packaging materials regularly. The Group also inspects and conducts repairs and maintenance to the material warehouse periodically to ensure that the warehouse environment is suitable for storing packaging materials in order to maintain its quality and to increase the materials' durability. During the Reporting Period, the Group has consumed a total of approximately 1,013.76 tonnes of packaging materials, which has decreased by approximately 131.84 tonnes or 11.51% when compared with the previous year. The decline is mainly due to the decrease in the production level of the Group.

4. *Paper Conservation*

The Group actively promotes the Paperless Office policy and encourages employees to transmit the documents in electronic format and reduce photocopying and printing. Employees are also encouraged to set double-sided printing as default, verify the format of the document before copying or printing, fully utilise papers by reusing single-sided papers and store double-sided used papers in designated recycling bins until collected by qualified recyclers. The Company wants to try and do what it can by making its practice greener. During the Reporting Period, the Company raised the awareness of greener practices by following the new requirements under the expanded paperless listing regime of the Stock Exchange. With the implementation of the new arrangements on dissemination of corporate communications to the registered shareholders and non-registered shareholders of the Company, the number of hard copies of the 2024 interim report was reduced. In addition, the production level and the headcount of the employees decreased, resulting in a decrease of paper consumption by approximately 0.40 tonnes or 11.36% when compared with the previous year and a total of approximately 3.12 tonnes of paper consumed.

The Environment and Natural Resources

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

ENVIRONMENTAL PROTECTION (continued)

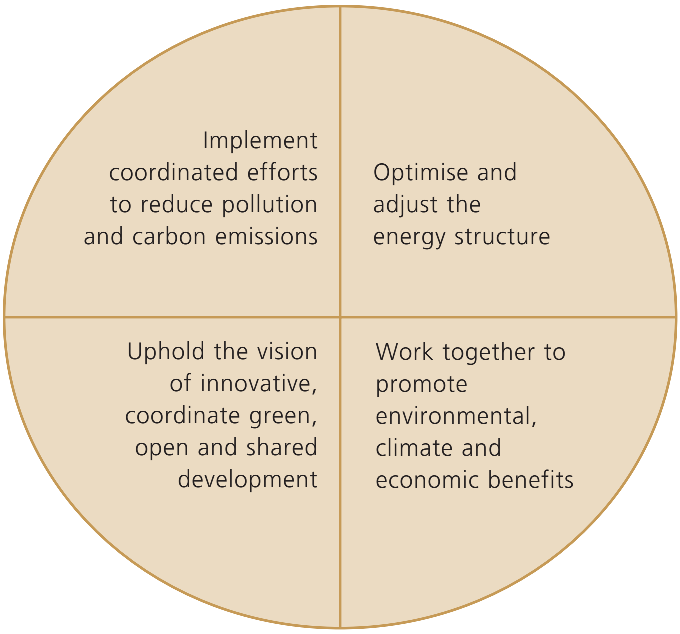
The Environment and Natural Resources (continued)

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

Climate Change

Climate change is anticipated to increase the frequency and severity of extreme weather events resulting in the catastrophic damage. Climate change is also changing seasonal and annual patterns of temperature, precipitation and other weather phenomena, which in turn increase the risk of heavy rains, rising tides and flooding potentially leading to serious damage to assets such as buildings, warehouses and inventories, resulting in economic losses. In the long term, climate change may lead to the rise of sea level and long-term changes in climate patterns of chronic heat waves such as persistent higher temperature, heavy rainfall, frequent typhoon, etc. It may obstruct employees' ability to attend duties and disrupt the transportation of materials, thereby affecting production progress and operation. By understanding these trends and the relationship with the businesses of the Group, it can better to prepare, analyse possible risks and opportunities, seize the opportunities of potential benefits and, its can better establish the response capacity of the Group in the long run.

Climate change is a major concern of governments around the world. Governments may change the related policies, laws and regulations to deal with climate change. Therefore, the Group may also need to adjust its internal policies and measures, which in turn increase the risk of facing the relevant evolving laws and regulations, which may increase operating costs and affect product demand. In response to climate change, the Group is committed to reducing carbon emissions and waste generated by each production plant and office. The Group reduces the consumption of electricity, water, paper and gasoline used by vehicles from the source and follows the principle of Use Less, Fully Exploit, Seek Alternatives, Fix and Reuse, Rethink, through daily management and strengthens education and publicity, and actively takes technically feasible and economically reasonable measures, so as to reduce operating costs, reduce carbon emissions and waste in operation, and actively explore new models of low carbon development. At the same time, the Group has formulated scientific reasonable and realistic goals, indicating that the Company has a directional and purposeful plan for reducing greenhouse gas emissions, and is prepared in advance to respond to national-level regulatory policies of climate change. Besides, the ESG targets of the Group provide benchmarks and future directions for the annual review of progress in greenhouse gas reduction and energy transition, and motivate more efficient actions to address climate change.



EMPLOYMENT AND LABOUR PRACTICES

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

Employment

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

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

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

EMPLOYMENT AND LABOUR PRACTICES (continued)

Employment (continued)

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

As at 31 December 2024, the gender ratio in the workforce (including the senior management of the Group) of the Group comprised 60% male and 40% female. The workforce includes two executive Directors and the senior management[1] is a male. The Group believes that the gender ratio of the workforce is within the reasonable range. The Group will review the effectiveness of the measures and practices against the actual circumstances of the Group and will adopt new policies when considered necessary. In particular, the Group will continue to monitor the gender ratio and will aim at achieving a greater gender diversity when hiring all positions across the Group.

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

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

As at 31 December 2024, the numbers and distributions of the employees of the Group are as follows:

	2024	2023
Gender		
Male	264	292
Female	179	206
Employment Type		
Full-time	441	496
Part-time	2	2
Age Group		
18-30	42	57
31-45	233	259
46-60	152	164
Over 60	16	18
Geographical Region		
Mainland China	416	468
Hong Kong[1, 2]	27	30

Notes:

1 The senior management resigned on 31 December 2024.

2 Included 8 (2023: 10) Hong Kong employees who work in Mainland China.

EMPLOYMENT AND LABOUR PRACTICES (continued)

Employment (continued)

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

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

	2024	2023
Gender		
Male	2.01%	2.70%
Female	1.99%	1.94%
Age Group		
18-30	3.75%	3.01%
31-45	2.01%	2.39%
46-60	1.42%	2.32%
Over 60	2.39%	0.91%
Geographical Region		
Mainland China	2.04%	2.42%
Hong Kong	1.42%	1.90%

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

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

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

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

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

EMPLOYMENT AND LABOUR PRACTICES (continued)

Health and Safety

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

1. ***Safety Training***

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

2. ***Management of Safety Risk***

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

EMPLOYMENT AND LABOUR PRACTICES (continued)

Health and Safety (continued)

3. *Safe Working Environment*

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

4. *Employee Occupational Health*

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

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

	2024	2023
Lost Days due to Work Injury	59 days	48 days

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

EMPLOYMENT AND LABOUR PRACTICES (continued)

Development and Training

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

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

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

During the Reporting Period, the percentages of the employees of the Group trained[1] are as follows:

	2024	2023
Gender		
Male	59.34%	60.00%
Female	49.33%	48.44%
Employee Category		
Executive Directors and Senior Management	–	–
Middle Management	34.07%	37.14%
Ordinary Staff	59.57%	59.30%

Notes:

1 The percentage of the Group's employees trained refers to the number of Group's employees trained within the Reporting Period divided by the sum of the total number of the employees of the Group at the end of the Reporting Period and the number of departing employees within the Reporting Period.

2 The Group encourages the employees to enhance their knowledge by reading training materials on their own, such training hours are not recorded by the Group and thus not reflected in the training data above.

EMPLOYMENT AND LABOUR PRACTICES (continued)

Development and Training (continued)

During the Reporting Period, the average training hours[1] completed per the employee of the Group are as follows:

	2024	2023
Gender		
Male	11.11	10.25
Female	6.91	7.18
Employee Category		
Executive Directors and Senior Management	–	–
Middle Management	4.92	4.92
Ordinary Staff	10.31	9.89

Notes:

1 The average training hours refer to the number of training hours provided by the Group to the employees during the Reporting Period divided by the total number of the employees of the Group at the end of the Reporting Period and the number of the departing employees during the Reporting Period.

2 The Group encourages the employees to enhance their knowledge by reading training materials on their own, such training hours are not recorded by the Group and thus not reflected in the training data above.

Labour Standards

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

Compliance

During the Reporting Period, the Group did not involve any non-compliance incidents relating to employment, health and safety and labour standards that have a significant impact on the Group.

OPERATING PRACTICES

Supply Chain Management

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

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

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

	2024	2023	2024	2023
	Approved Suppliers		Main Suppliers that have Business with the Group	
Mainland China	267	347	252	275

OPERATING PRACTICES (continued)

Product Responsibility

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

Management of Product Quality

1. *Product Quality Assurance*

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

2. *Quality Management Training*

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

Management of Customers' Complaints

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

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

	2024	2023
Complaints Received	186	200

OPERATING PRACTICES (continued)

Product Responsibility (continued)

Management of Labelling

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

Customer Data Protection and Privacy Policies

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

Maintenance and Protection Intellectual Property Rights

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

Recall of Products

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

Compliance

During the Reporting Period, the products and services of the Group did not involve in any significant issues relating to violations, nor did the Group receive any complaints concerning breaches of customer privacy, loss of data and intellectual property rights.

OPERATING PRACTICES (continued)

Anti-corruption

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

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

COMMUNITY

Community Investment

The Group emphasises community involvement and advocates accountability in its corporate culture. Everyone is accountable to oneself, their family, their employer and society. The Group believes that corporate development relies not only on the advanced technology, talented and hard-working employees, but also on close tie and development with the stakeholders. During the Reporting Period, the Group sponsored more than RMB50,000 of bursaries for a number of students of Xinfeng No. 1 Middle School in Mainland China, sponsored RMB20,000 to a village committee and volunteer to paint a village square for 60 hours, hoping to actively involve in practising social responsibilities; at the same time of business development, the Company also pays attention to contributing to society and sincerely put it into action and to spread love. The Group will continuously encourage its employees to participate in more voluntary activities and services in the coming year.

HONOURS AND AWARDS

The Group obtained the following major honours and awards in 2024:

Hong Kong

➢ Various products of "*Flower (菊花牌)*" and "*Golden Flower (金菊花牌)*" of China Paint (1932) were awarded *"Hong Kong Green Labels"*.

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

Mainland China

➢ China Paint (Shenzhen) was awarded *"ISO 9001:2015 Quality Management System Certificate"*.

➢ China Paint (Xinfeng) and Yongcheng Eco-friendly were awarded *"GB/T 19001-2016/ISO 9001:2015 Quality Management System Certificate"*.

➢ China Paint (Shenzhen), China Paint (Xinfeng) and Yongcheng Eco-friendly were awarded *"GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certificate"*.

➢ China Paint (Shenzhen), China Paint (Xinfeng) and Yongcheng Eco-friendly were awarded *"GB/T 24001-2016/ISO 14001:2015 Environmental Management System Certificate"*.

➢ China Paint (Xinfeng) was awarded *"IECQ QC 080000:2017 Hazardous Substance Process Management System Certificate"*.

➢ China Paint (Xinfeng) was awarded "*Certificate for China Compulsory Product Certification (中國國家強制性產品認證證書)*".

➢ China Paint (Xinfeng) was awarded *"ISO/IEC 17025:2017 Laboratory Accreditation Certificate by China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會實驗室認可證書)"*.

➢ China Paint (Shenzhen) and China Paint (Xinfeng) were awarded *"Certificate for China Environmental Labelling Production Certification (中國國家強制性產品認證證書)"*.

➢ Paint product of *"Flower (菊花牌)"* of China Paint (Shenzhen) was awarded *"Famous Brand in Shenzhen (深圳知名品牌)" and "Famous Brand in Greater Bay Area (灣區知名品牌)"*.

➢ Paint product of *"Flower (菊花牌)"* of China Paint (Shenzhen) was awarded *"Influential Brand in Exterior Wall Paints Products (外牆塗料影響力品牌)"*.

➢ Paint product of "*Giraffe (長頸鹿牌)" of China Paint (Shenzhen) was awarded "Influential Ethic Brand in Exterior Wall Paints (牆面漆影響力民族品牌)"*.

HONOURS AND AWARDS (continued)

Mainland China (continued)

- Paint product of *"Toy Brand (玩具牌)"* of China Paint (Shenzhen) was awarded *"Influential Brand in Light Industry Coating Products (輕工業塗料影響力品牌)"*.

- Polyurethane Wood Paint Coating Products of China Paint (Xinfeng) was awarded *"Guangdong Provincial Famous High Technology Product Certificate (廣東省名優高新技術產品證書)"*.

- Polyurethane Wood Paint Coating Products and Nitrocellulose Paint of China Paint (Xinfeng) were awarded *"Shaoguan City High Technology Product Certificate (韶關市高新技術產品證書)"*.

SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	2024	2023
GREENHOUSE GAS EMISSIONS			
Scope 1[1]:			
Total	Tonnes	187.12	221.54
Intensity[3]	Tonnes	1.71	1.60
Scope 2[2]:			
Total	Tonnes	1,309.98	1,354.91
Intensity[3]	Tonnes	11.98	9.76
AIR EMISSIONS			
Nitrogen Oxides	Kilograms	414.29	433.75
Sulfur Oxide	Kilograms	1.03	1.08
Particulate Matters	Kilograms	27.17	28.54
HAZARDOUS WASTES			
Solid Wastes Generated:			
Total	Tonnes	23.97	34.59
Intensity[3]	Tonnes	0.22	0.25
NON-HAZARDOUS WASTES			
Solid Wastes Generated[4]:			
Total	Tonnes	94.92	134.88
Intensity[3]	Tonnes	0.87	0.97
Wastewater Discharged:			
Total	Tonnes	7,376.00	10,195.00
Intensity[3]	Tonnes	67.47	73.44
PACKAGING MATERIALS USED FOR FINISHED GOODS			
Total	Tonnes	1,013.76	1,145.60
Intensity[3]	Tonnes	9.27	8.25
ENERGY AND WATER RESOURCES CONSUMPTION			
Electricity:			
Total	MWh	2,143.02	2,214.90
Intensity[3]	MWh	19.60	15.96
Diesel:			
Total	Tonnes	11.84	12.43
Intensity[3]	Tonnes	0.11	0.09
Gasoline:			
Total	Tonnes	41.36	43.42
Intensity[3]	Tonnes	0.38	0.31
Water Resources:			
Total	Cubic Meters	28,142.00	33,526.00
Intensity[3]	Cubic Meters	257.42	241.51
Refrigerant:			
Total	Kilograms	–	13.60
Intensity[3]	Kilograms	–	0.10

Notes:

1 Scope 1 refers to the direct greenhouse gas emissions from the Group's business, including combustion of gasoline and diesel and consumption of refrigerants.

2 Scope 2 refers to the indirect greenhouse gas emissions from the Group's business, including consumption of purchased electricity.

3 The emission/production/consumption intensities are calculated in terms of the production per hundred tonne.

4 Last year's comparative figure is restated to conform with the current year's presentation.

COMPLIANCE WITH THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" ISSUED BY THE STOCK EXCHANGE

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs		PAGE
A. ENVIRONMENTAL		
ASPECT A1	EMISSIONS	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	48-57
KPI A1.1	The types of emissions and respective emissions data.	52-53, 55-56, 76
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	58-59, 76
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	55, 76
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	53, 56, 76
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	49-52
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	51-56
ASPECT A2	USE OF RESOURCES	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	57-61
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	58-59, 76
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	60, 76
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	57-59
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	60
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	61 ,76
ASPECT A3	THE ENVIRONMENT AND NATURAL RESOURCES	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	61-62
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	61-62
ASPECT A4	CLIMATE CHANGE	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	62
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	62

COMPLIANCE WITH THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" ISSUED BY THE STOCK EXCHANGE (continued)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs		PAGE
B. SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
ASPECT B1	**EMPLOYMENT**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	63-65
KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	64
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	65
ASPECT B2	**HEALTH AND SAFETY**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	66-67
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	67
KPI B2.2	Lost days due to work injury.	67
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The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of paint and coating products and property investment (including the investments in properties for rental income). Details of the activities of the principal subsidiaries are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 3 to 28 of this annual report. The discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2024 and the state of affairs of the Group at that date are set out in the financial statements on pages 95 to 173.

The Directors have resolved not to declare a final dividend for the year ended 31 December 2024.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 24% of the total purchases for the year and purchases from the largest supplier included therein amounted to 7%. Sales to the Group's five largest customers accounted for less than 21% of the total sales for the year.

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

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
Revenue	**321,352**	469,091	643,049	842,519	712,886
Loss before tax	**(49,585)**	(69,459)	(98,456)	(61,225)	(12,638)
Income tax credit/(expense)	**1,601**	2,482	(15)	1,780	1,903
Loss for the year	**(47,984)**	(66,977)	(98,471)	(59,445)	(10,735)
ATTRIBUTABLE TO:					
Owners of the parent	**(47,915)**	(67,115)	(98,084)	(59,533)	(10,801)
Non-controlling interest	**(69)**	138	(387)	88	66
	(47,984)	(66,977)	(98,471)	(59,445)	(10,735)
Loss per share (HK cents)					
Basic and diluted	**(4.79)**	(6.71)	(9.81)	(5.95)	(1.08)

SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, Liabilities and Non-Controlling Interest

	31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**803,996**	972,859	1,152,832	1,203,480	1,145,383
Total liabilities	**(422,933)**	(524,219)	(631,887)	(670,366)	(561,630)
Non-controlling interest	**(3,975)**	(4,175)	(2,879)	(3,538)	(3,358)
	377,088	444,465	518,066	529,576	580,395
Net asset value per share (HK$)	**0.38**	0.45	0.52	0.53	0.58

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$153,607,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$313,000.

Report of the Directors

DIRECTORS

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

Executive Directors

Tsui Ho Chuen, Philip
Li Guangzhong
Mak Chi Wah

Non-executive Director

Chong Chi Kwan

Independent Non-executive Directors

Chua Joo Bin
Xia Jun
Meng Jinxia

In accordance with the Articles, Mr. Tsui Ho Chuen, Philip, Mr. Mak Chi Wah and Mr. Xia Jun will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position held	Number of years of service	Business experience
Executive Directors				
Tsui Ho Chuen, Philip	61	Executive Director, Chairman and Managing Director	40	Qualified solicitor and more than 40 years' experience in the paint and coating industry
Li Guangzhong	55	Executive Director and Sales Director	32	More than 31 years' experience in the paint and coating industry
Mak Chi Wah	47	Executive Director and Finance Director	9	More than 25 years' experience in accounting, auditing, taxation and business operations management
Non-executive Director				
Chong Chi Kwan	57	Non-executive Director	19	More than 33 years' experience in auditing, finance, accounting and management

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Independent Non-executive Directors				
Chua Joo Bin	72	Independent Non-executive Director	8	More than 48 years' experience in finance and accounting
Xia Jun	69	Independent Non-executive Director	8	Qualified PRC lawyer with more than 35 years' experience in PRC legal practice
Meng Jinxia	67	Independent Non-executive Director	2	More than 39 years' experience in engineering and manufacturing
Senior management				
Lin Shu	71	Senior Assistant to Chairman	27	More than 25 years' experience in the paint and coating industry

Notes:

(1) Mr. Tsui Ho Chuen, Philip is a director of CNT Enterprises Limited and a non-executive director of CNT Group Limited. Both CNT Enterprises Limited and CNT Group Limited are the substantial shareholders of the Company. CNT Group Limited is a company listed on the Stock Exchange. Mr. Tsui Ho Chuen, Philip is the nephew of Mr. Tsui Yam Tong, Terry, the chairman and an executive director of CNT Group Limited.

(2) Mr. Chong Chi Kwan is a director of CNT Enterprises Limited and an executive director and the managing director of CNT Group Limited.

CHANGE IN DIRECTOR'S INFORMATION

There is no change in the information of the Directors required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules except the changes in the Directors' remuneration which are set out in note 9 to the financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in note 36 to the financial statements, there was no contract of significance entered into between the Company or any of its subsidiaries and any controlling Shareholder or any of its subsidiaries, nor there was any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2024 or subsisted as at 31 December 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

DIRECTORS' SERVICE CONTRACTS

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors, the Company Secretary and other officers of the Company during the year ended 31 December 2024.

EQUITY-LINKED AGREEMENTS

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

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

As at 31 December 2024, the interests of the Directors in the Shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

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

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

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the Directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the year under review.

SHARE OPTIONS

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

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

(ii) The eligible participants of the Share Option Scheme include any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any Invested Entity, including any executive director of the Company or any of its subsidiaries or any Invested Entity; any non-executive directors (including independent non-executive directors) of the Company or any of its subsidiaries or any Invested Entity; any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; and any person or entity that provides research, development or other technological support to the Group or any Invested Entity.

(iii) The total number of Shares available for issue under the Share Option Scheme is 100,000,000 which represents 10% of the total number of Shares in issue as at the date of this report.

SHARE OPTIONS (continued)

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

(v) A share option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the share option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted.

(vi) Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vii) The amount payable by the grantee(s) to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(viii) The exercise price in relation to each share option offered to an eligible participant shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of: (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer; (b) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the Share.

(ix) An offer for the grant of the share options must be accepted by the relevant eligible participant not later than 21 days after the offer date or such longer or shorter period as the Board may specify from and inclusive of the offer date.

(x) The Share Option Scheme remains in force until 3 June 2030.

SHARE OPTIONS (continued)

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

Name	Date of grant	Exercise period	Exercise price per Share HK$	Number of share options: Outstanding as at 1 January 2024	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2024
Executive Director									
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	–	10,000,000
Executive Director									
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	–	10,000,000
Non-executive Director									
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	–	10,000,000
Employees	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	–	–	–	(10,000,000)	40,000,000
				80,000,000	–	–	–	(10,000,000)	70,000,000

Notes:

(1) The share options granted have the vesting period and are/would be exercisable as follows:

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

(2) The closing price of the Shares on 14 June 2022, being the date immediately before the date on which the above share options were granted under the Share Option Scheme, was HK$0.335.

(3) The number of share options available for grant under the Share Option Scheme as at 1 January 2024 and 31 December 2024 were 20,000,000 and 30,000,000 respectively.

(4) There was no service provider sublimit set under the Share Option Scheme.

(5) There is no performance target attached with the share options.

SHARE OPTIONS (continued)

Notes:

(6) During the year ended 31 December 2024, no share options were granted under the Share Option Scheme. The number of shares of the Company that may be issued in respect of share options granted under the Share Option Scheme during the year ended 31 December 2024 divided by the weight average number of shares of the Company in issue for the year ended 31 December 2024 was 7%.

(7) None of the share options granted under the Share Option Scheme was cancelled and 10,000,000 share options granted under the Share Option Scheme were lapsed during the year ended 31 December 2024.

(8) Details of the value of the share options granted under the Share Option Scheme are set out in note 30 to the financial statements.

(9) Save as disclosed above, no share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2024.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2024, the register maintained by the Company under Section 336 of the SFO showed that the following persons had interests in the Shares and underlying shares of the Company:

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

Note:

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

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

Save as disclosed above, the Company has not been notified by any person who had interests or short positions in the Shares or underlying shares of the Company as at 31 December 2024 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
CPM Group Limited

Tsui Ho Chuen, Philip
Chairman and Managing Director
Hong Kong, 27 March 2025

To the shareholders of CPM Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CPM Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 173, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the Key audit matter
Expected credit losses ("ECLs") for trade receivables	
As at 31 December 2024, the Group recorded trade receivables of HK$211.3 million before loss allowance of HK$109.6 million. Significant management judgement and estimation were required in assessing the ECLs for the trade receivables, with reference to the grouping of various customer segments, ageing profile of the trade receivable balances, and past repayment history of customers and forecast economic conditions. Disclosures in relation to trade receivables are included in notes 4 and 20 to the consolidated financial statements.	Our audit procedures included understanding and assessing the Group's policy on determining the loss allowance in accordance with the requirements of HKFRS 9, including an evaluation of management judgements on (i) the level of disaggregation of customer groups for collective assessment; and (ii) the use of available credit risk information, including historical, probability of default, loss given default and forward-looking information. We have reviewed management's assumptions used to determine the ECLs through testing of the underlying information on the ageing reports generated by the Group's financial reporting system and assessing the repayment history of the debtors as well as the forward-looking factors with reference to the related publicly available information. Our internal valuation experts were also involved to assist us in evaluating the assumptions used for the ECLs assessment and key parameter adopted. We also assessed the related disclosures in the consolidated financial statements.
Fair value of investment properties	
As at 31 December 2024, investment properties measured at fair values amounted to approximately HK$295.3 million, with a corresponding net fair value losses of HK$8.0 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged independent professional valuers to perform the valuation of the investment properties. Disclosures in relation to investment properties are included in notes 4 and 15 to the consolidated financial statements.	As part of our audit procedures, we have considered the objectivity, independence and competence of the valuers. We have assessed the valuation methodologies adopted and the assumptions used by the valuers, and performed market value benchmarking against comparable properties. Our internal valuation experts were also involved to assist us in evaluating the methodologies adopted and the assumptions used by the valuers for the valuation of investment properties held by the Group. We also assessed the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Yat Kin.

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

27 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
REVENUE	6	**321,352**	469,091
Cost of sales		**(192,034)**	(311,548)
Gross profit		**129,318**	157,543
Other income and gains, net	6	**7,534**	9,622
Selling and distribution expenses		**(50,885)**	(62,286)
Administrative expenses		**(79,489)**	(91,136)
Other expenses, net		**(44,887)**	(69,960)
Finance costs	8	**(11,176)**	(13,242)
LOSS BEFORE TAX	7	**(49,585)**	(69,459)
Income tax credit	11	**1,601**	2,482
LOSS FOR THE YEAR		**(47,984)**	(66,977)
ATTRIBUTABLE TO:			
Owners of the parent		**(47,915)**	(67,115)
Non-controlling interest		**(69)**	138
		(47,984)	(66,977)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	13	**HK (4.79) cents**	HK (6.71) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
LOSS FOR THE YEAR		**(47,984)**	(66,977)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(20,018)**	(23,182)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation	14	**–**	21,273
Income tax effect	27	**–**	(5,101)
		–	16,172
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**–**	16,172
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(20,018)**	(7,010)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(68,002)**	(73,987)
ATTRIBUTABLE TO:			
Owners of the parent		**(67,802)**	(75,283)
Non-controlling interest		**(200)**	1,296
		(68,002)	(73,987)

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**90,786**	110,000
Investment properties	15	**295,283**	309,087
Right-of-use assets	16(a)	**29,556**	34,593
Equity investment designated at fair value through other comprehensive income	17	**300**	300
Deposits for purchases of property, plant and equipment	18	**3,971**	4,185
Deposits and prepayments	21	**796**	764
Deferred tax assets	27	**17,991**	17,502
Total non-current assets		**438,683**	476,431
CURRENT ASSETS			
Inventories	19	**18,664**	27,353
Trade and bills receivables	20	**103,628**	171,852
Prepayments, deposits and other receivables	21	**51,562**	53,286
Pledged deposits	22	**22,207**	98,994
Cash and cash equivalents	22	**169,252**	144,943
Total current assets		**365,313**	496,428
CURRENT LIABILITIES			
Trade and bills payables	23	**125,437**	195,523
Other payables and accruals	24	**44,715**	53,502
Interest-bearing bank borrowings	25	**88,075**	120,745
Lease liabilities	16(b)	**3,264**	2,646
Tax payable		**8,768**	9,054
Total current liabilities		**270,259**	381,470
NET CURRENT ASSETS		**95,054**	114,958
TOTAL ASSETS LESS CURRENT LIABILITIES		**533,737**	591,389

Consolidated Statement of Financial Position
31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT LIABILITIES			
Loans from the Parent Group*	26	**107,897**	95,970
Lease liabilities	16(b)	**2,850**	3,630
Deferred tax liabilities	27	**37,855**	39,661
Deferred income	28	**52**	334
Deposit received	24	**4,020**	3,154
Total non-current liabilities		**152,674**	142,749
Net assets		**381,063**	448,640
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**100,000**	100,000
Reserves	31	**277,088**	344,465
		377,088	444,465
Non-controlling interest		**3,975**	4,175
Total equity		**381,063**	448,640

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

Tsui Ho Chuen, Philip
Director

Mak Chi Wah
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the parent														
	Issued capital HK$'000 (note 29)	Share premium account HK$'000	Merger reserve HK$'000	Capital contribution^ HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 (note 30)	Fair value reserve (non-recycling) HK$'000	Leasehold land and building revaluation reserve HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds** HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 January 2023	100,000	94,614	(15,017)	2,630	(28,616)	5,610	(500)	164,253	10,485	(16,314)	29,819	171,102	518,066	2,879	520,945
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	–	–	(67,115)	(67,115)	138	(66,977)
Other comprehensive income/(loss) for the year:															
Gain on property revaluation, net of tax	–	–	–	–	–	–	–	14,947	–	–	–	–	14,947	1,225	16,172
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(23,115)	–	–	(23,115)	(67)	(23,182)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	14,947	–	(23,115)	–	(67,115)	(75,283)	1,296	(73,987)
Equity-settled share option arrangements	–	–	–	–	–	1,682	–	–	–	–	–	–	1,682	–	1,682
At 31 December 2023	100,000	94,614#	(15,017)#	2,630#	(28,616)#	7,292#	(500)#	179,200#	10,485#	(39,429)#	29,819#	103,987#	444,465	4,175	448,640

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

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

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

These reserve accounts comprise the consolidated reserves of HK$277,088,000 (2023: HK$344,465,000) in the consolidated statement of financial position.

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

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(49,585)**	(69,459)
Adjustments for:			
Finance costs	8	**11,176**	13,242
Bank interest income	6	**(2,134)**	(1,933)
Depreciation of property, plant and equipment	7	**12,855**	17,881
Depreciation of right-of-use assets	7	**4,616**	5,341
Recognition of deferred income	6	**(278)**	(284)
Gain on disposal of items of property, plant and equipment, net	6	**(84)**	(553)
Loss on termination of lease	16	**–**	9
Write-off of items of property, plant and equipment	7	**16**	54
Provision for/(reversal of provision for) inventories to net realisable value, net	7	**290**	(36)
Fair value losses on investment properties, net	7	**7,978**	11,482
Provision for impairment of trade and bills receivables, net	7	**24,186**	50,128
Loss on revaluation of property, plant and equipment	7	**–**	26
Loss on revaluation of right-of-use assets	7	**–**	1,778
Reversal of provision for impairment of property, plant and equipment	7	**–**	(927)
Provision for/(reversal of provision for) impairment of right-of-use assets	7	**2,838**	(3,710)
Equity-settled share option expenses	30	**425**	1,682
		12,299	24,721
Decrease in inventories		**8,586**	14,988
Decrease in trade and bills receivables		**39,101**	138,685
Decrease/(increase) in prepayments, deposits and other receivables		**(966)**	2,843
Decrease in trade and bills payables		**(65,222)**	(58,870)
Decrease in other payables and accruals		**(7,472)**	(21,146)
Exchange realignment		**(386)**	(2,661)
Cash generated from/(used in) operations		**(14,060)**	98,560
Interest paid		**(11,087)**	(13,146)
Interest element of lease payments		**(335)**	(404)
Overseas taxes paid		**(10)**	(1,373)
Net cash flows from/(used in) operating activities		**(25,492)**	83,637

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(735)**	(3,989)
Proceeds from disposal of items of property, plant and equipment		**84**	1,417
Interest received		**2,134**	1,933
Decrease/(increase) in pledged time deposits		**73,661**	(57,997)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**1,140**	(1,151)
Net cash flows from/(used in) investing activities		**76,284**	(59,787)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**82,650**	319,916
Repayment of bank loans		**(113,516)**	(436,720)
Repayment of loans from the Parent Group		**(49,601)**	–
Receipts of loans from the Parent Group		**62,796**	95,680
Principal portion of lease payments		**(3,415)**	(3,539)
Net cash flows used in financing activities		**(21,086)**	(24,663)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**29,706**	(813)
Cash and cash equivalents at beginning of year		**143,792**	147,521
Effect of foreign exchange rate changes, net		**(4,246)**	(2,916)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**169,252**	143,792
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**169,252**	143,792
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	1,151
Cash and cash equivalents as stated in the consolidated statement of financial position		**169,252**	144,943
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	(1,151)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**169,252**	143,792

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Molybdenum & Vanadium Development Limited	Hong Kong	HK$1,000	–	100	Investment holding
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK$200,000 Non-voting deferred HK$1,761,300	–	100	Manufacture and sale of paint and coating products and investment holding
CP Industries (BVI) Limited	British Virgin Islands ("BVI")	United States dollars ("US$") US$1,635,512	100	–	Investment holding
Majority Faith Corporation	BVI	US$1	–	100	Investment holding
Top Dreamer Limited	BVI	US$1	–	100	Investment holding
R, J & Thomas Secretaries Limited	Hong Kong	HK$30,000	–	100	Investment holding
中華製漆(深圳)有限公司 The China Paint Manufacturing (Shenzhen) Co., Ltd.#^	PRC/ Mainland China	HK$130,000,000 (2023: HK$107,667,000)	–	100	Manufacture and sale of paint and coating products and property investment
中華製漆(新豐)有限公司 The China Paint Mfg. Co., (Xinfeng) Ltd.#^	PRC/ Mainland China	US$25,000,000	–	100	Manufacture and sale of paint and coating products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

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

Wholly-foreign-owned enterprises registered under PRC law

Sino-foreign-owned enterprise registered under PRC law

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sales and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any significant impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of finance statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity* (the "amendments")[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

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

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

- Information about the contractual features that expose the entity to variability in an underlying amount of electricity and the risk that the entity would be required to buy electricity during a delivery interval where in cannot use it.

- Information about unrecognised contractual commitments arising from such contracts.

- Qualitative and quantitative information about the effects on the entity's financial performance for the reporting period interval where in cannot use it.

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

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

Amendments to HKAS 21 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. Earlier application is permitted. 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 are not expected to have any significant impact on the Group's financial statements.

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

- HKFRS 7 *Financial Instruments*: *Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

3. MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties and equity investment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Investment properties

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

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

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

(b) *Lease liabilities*

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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

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

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

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

Group as a lessor

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

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

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

Research and development costs

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assts at fair value through other comprehensive income (debt instruments)

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3. MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

After initial recognition, trade and other payables, and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Provisions

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

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

Sale of paint and coating products

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

Revenue from other sources

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

Other income

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

Contract liabilities

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits

Pension schemes and other retirement benefits

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

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

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

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

Borrowing costs

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

Events after the reporting period

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

Dividends

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Estimation uncertainty

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

Write-down of inventories to net realisable value

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for income tax

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

Provision for expected credit losses on trade receivables

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

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

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

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

Leases – Estimating the incremental borrowing rate

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

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

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

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2024 was HK$295,283,000 (2023: HK$309,087,000. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Impairment of non-financial assets

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

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on 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 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 revenue 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**

5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2024	Paint products HK$'000	Property investment HK$'000	Total HK$'000
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, net	**–**	**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.

5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2023	Paint products HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	448,475	20,616	469,091
Other revenue and gains, net	7,689	–	7,689
Total	456,164	20,616	476,780
Segment results	(58,152)	6,355	(51,797)
Reconciliation:			
Interest income			1,933
Finance costs			(13,242)
Corporate and other unallocated expenses			(6,353)
Loss before tax			(69,459)
Segment assets	639,424	320,731	960,155
Reconciliation:			
Corporate and other unallocated assets			12,704
Total assets			972,859
Segment liabilities	482,024	40,322	522,346
Reconciliation:			
Corporate and other unallocated liabilities			1,873
Total liabilities			524,219

5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2023	Paint products HK$'000	Property investment HK$'000	Total HK$'000
Other segment information			
Depreciation on property, plant and equipment	17,881	–	17,881
Depreciation on right-of-use assets	5,341	–	5,341
Capital expenditure*	3,989	–	3,989*
Fair value losses on investment properties, net	–	11,482	11,482
Loss on revaluation of right-of-use assets	1,778	–	1,778
Loss on revaluation of property, plant and equipment	26	–	26
Provision for impairment of trade and bills receivables, net	50,128	–	50,128
Reversal of provision for impairment of property, plant and equipment	(927)	–	(927)
Reversal of provision for impairment of right-of-use assets	(3,710)	–	(3,710)
Reversal of provision of inventories to net realisable value, net	(36)	–	(36)
Gain on disposal of items of property, plant and equipment, net	(553)	–	(553)
Write-off of items of property, plant and equipment	54	–	54

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

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2024 HK$'000	2023 HK$'000
Hong Kong	**57,201**	59,073
Mainland China	**264,151**	410,018
	321,352	469,091

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

(b) Non-current assets

	2024 HK$'000	2023 HK$'000
Hong Kong	**855**	1,587
Mainland China	**419,537**	457,042
	420,392	458,629

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 2024 and 2023, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

6. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of Group's revenue is as follows:

	2024 HK$'000	2023 HK$'000
Revenue from contracts with customers		
Sale of paint products	**298,341**	448,475
Revenue from other sources		
Gross rental income from investment properties	**23,011**	20,616
	321,352	469,091

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	2024 HK$'000	2023 HK$'000
Type of paint and coating products sold		
Industrial paint and coating products	**151,138**	172,863
Architectural paint and coating products	**69,933**	178,225
General paint and coating and ancillary products	**77,270**	97,387
	298,341	448,475
Geographical markets		
Hong Kong	**57,201**	59,073
Mainland China	**241,140**	389,402
	298,341	448,475
Timing of revenue recognition		
Goods transferred at a point in time	**298,341**	448,475

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

	2024 HK$'000	2023 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of paint and coating products	**1,192**	943

(ii) Performance obligations

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

Sale of paint and coating products

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

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

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

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

	Note	2024 HK$'000	2023 HK$'000
Other income and gains, net			
Bank interest income		**2,134**	1,933
Foreign exchange differences, net		**844**	215
Government grants*		**438**	836
Government subsidies#		**1,601**	4,077
Gain on disposal of items of property, plant and equipment, net		**84**	553
Recognition of deferred income	28	**278**	284
Others		**2,155**	1,724
Total other income and gains, net		**7,534**	9,622

* 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 2024, the PRC tax authority granted to the Group an Advanced Manufacturing Tax Credit Initiative amounting to 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.

During the year ended 31 December 2023, the amount was primarily attributed from that the PRC government granted subsidies of HK$2,399,000 for the removal of solvent production lines and solvent storage tanks in the production plants in Hubei, Mainland China (the "Hubei Production Plant"). In addition, the PRC tax authority granted to the Group an Advanced Manufacturing Tax Credit Initiative amounting to HK$1,662,000 under the Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration. There were no unfulfilled conditions or contingencies relating to these government subsidies.

7. LOSS BEFORE TAX

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

	Notes	2024 HK$'000	2023 HK$'000
Cost of inventories sold		**192,034**	311,548
Depreciation of property, plant and equipment	14	**12,855**	17,881
Depreciation of right-of-use assets	16(a)	**4,616**	5,341
Lease payments not included in the measurement of lease liabilities	16(c)	**2,807**	3,433
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**2,436**	1,977
Auditor's remuneration:			
Audit related services		**2,566**	2,620
Other services		**295**	310
		2,861	2,930
Employee benefit expense (including directors' remuneration (note 9)):			
Wages, salaries, bonuses, allowances and welfare		**80,802**	94,123
Equity-settled share option expenses	30	**425**	1,682
Pension scheme contributions (defined contribution schemes)#		**9,901**	11,100
Staff termination cost*		**1,324**	1,226
		92,452	108,131
Fair value losses on investment properties, net*	15	**7,978**	11,482
Foreign exchange differences, net*		**(844)**	(215)
Gain on disposal of items of property, plant and equipment, net*		**(84)**	(553)
Loss on revaluation of property, plant and equipment*		**–**	26
Loss on revaluation of right-of-use assets*		**–**	1,778
Product improvement and development		**20,431**	11,966
Provision for impairment of trade and bills receivables, net*	20	**24,186**	50,128
Reversal of provision for impairment of property, plant and equipment*	14	**–**	(927)
Provision for/(reversal of provision for) impairment of right-of-use assets*	16(a)	**2,838**	(3,710)
Provision for/(reversal of provision for) inventories to net realisable value, net@		**290**	(36)
Write-off of items of property, plant and equipment*	14	**16**	54

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

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

\# At 31 December 2024 and 2023, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 HK$'000	2023 HK$'000
Interest on bank loans and other borrowings	**10,841**	12,838
Interest expense on lease liabilities	**335**	404
	11,176	13,242

9. DIRECTORS' REMUNERATION

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

	2024 HK$'000	2023 HK$'000
Fees	**1,400**	1,450
Other emoluments:		
Salaries, allowances and benefits in kind	**7,630**	7,647
Discretionary bonuses	**1,255**	870
Equity-settled share option expenses	**258**	630
Pension scheme contributions	**487**	494
	9,630	9,641
	11,030	11,091

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

(a) Independent non-executive Directors

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

	2024 HK$'000	2023 HK$'000
Chua Joo Bin	**200**	200
Meng Jinxia	**200**	200
Xia Jun	**200**	200
	600	600

There were no other emoluments payable to the independent non-executive Directors during the year (2023: Nil).

9. DIRECTORS' REMUNERATION (continued)

(b) Executive Directors and non-executive Directors

2024	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive Directors:						
Tsui Ho Chuen, Philip	200	5,644	86	1,095	350	7,375
Li Guangzhong	200	1,026	86	–	119	1,431
Mak Chi Wah	200	960	–	160	18	1,338
	600	7,630	172	1,255	487	10,144
Non-executive Director:						
Chong Chi Kwan	200	–	86	–	–	286
	200	–	86	–	–	286
	800	7,630	258	1,255	487	10,430

2023	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive Directors:						
Tsui Ho Chuen, Philip	200	5,644	210	730	350	7,134
Li Guangzhong	200	1,043	210	–	126	1,579
Mak Chi Wah	200	960	–	140	18	1,318
	600	7,647	420	870	494	10,031
Non-executive Directors:						
Lam Ting Ball, Paul *(resigned on 1 April 2023)*	50	–	–	–	–	50
Chong Chi Kwan	200	–	210	–	–	410
	250	–	210	–	–	460
	850	7,647	630	870	494	10,491

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2023: Nil).

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year, included two Directors (2023: one), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2023: four) highest paid employees who are non-Directors for the year are as follows:

	2024	2023
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**7,644**	9,476
Discretionary bonuses	**1,356**	1,216
Pension scheme contributions	**36**	139
	9,036	10,831

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

	Number of employees	
	2024	2023
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**2**	2
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	–
	3	4

During the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to the Directors or any of the highest paid employees who are non-Directors as an inducement to join or upon joining the Group or as compensation for loss of office nor has any Director waived or agreed to waive any emoluments.

11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current and prior years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China were subject to the PRC corporate income tax at a standard rate of 25% (2023: 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% (2023: 15%) had been applied during the year.

	Note	**2024** **HK$'000**	2023 HK$'000
Current – Elsewhere			
Charge for the year		**8**	–
Under provision in prior years		**2**	1,304
Deferred	27	**(1,611)**	(3,786)
Total tax credit for the year		**(1,601)**	(2,482)

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

	2024 **HK$'000**	2023 HK$'000
Loss before tax	**(49,585)**	(69,459)
Tax at the statutory tax rate	**(8,182)**	(11,461)
Different tax rates for subsidiaries in the PRC, net	**(307)**	(747)
Adjustments in respect of current tax of previous period	**2**	1,304
Income not subject to tax	**(331)**	(290)
Expenses not deductible for tax	**5,551**	5,379
Tax losses brought forward from previous periods now recognised	**(1,570)**	(4,405)
Tax losses not recognised	**4,826**	8,340
Effect of withholding tax on the distributable profits of the Group's subsidiaries	**(979)**	810
Others	**(611)**	(1,412)
Tax credit at the Group's effective tax rate	**(1,601)**	(2,482)

12. DIVIDEND

The directors have resolved not to declare a final dividend for the year ended 31 December 2024 (2023: Nil).

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

The calculation of basic and diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$47,915,000 (2023: HK$67,115,000) and the weighted average number of ordinary shares of 1,000,000,000 (2023: 1,000,000,000) in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding and assumed conversion of all dilutive potential ordinary shares as adjusted to reflect the dilution effect of the share options issued by the Company. For the years ended 31 December 2024 and 2023, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ownership interests in properties held for own use HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2023							
At 1 January 2023:							
Cost or valuation	193,813	317	44,914	89,092	30,001	13,823	371,960
Accumulated depreciation and impairment	(83,053)	–	(25,362)	(76,538)	(23,883)	(12,034)	(220,870)
Net carrying amount	110,760	317	19,552	12,554	6,118	1,789	151,090
At 1 January 2023, net of accumulated depreciation and impairment	110,760	317	19,552	12,554	6,118	1,789	151,090
Additions	–	1,947	509	414	758	361	3,989
Disposals	–	–	–	(788)	(59)	(17)	(864)
Write-off (note 7)	–	–	–	(22)	(32)	–	(54)
Surplus on revaluation, net	21,273	–	–	–	–	–	21,273
Loss on revaluation	(26)	–	–	–	–	–	(26)
Depreciation provided during the year (note 7)	(7,979)	–	(2,465)	(5,120)	(1,805)	(512)	(17,881)
Transfer to investment properties (note 15)	(35,422)	–	(9,625)	–	–	–	(45,047)
Transfer	–	(789)	188	397	204	–	–
Reversal of impairment (note 7)	–	–	927	–	–	–	927
Exchange realignment	(2,639)	(61)	(120)	(388)	(152)	(47)	(3,407)
At 31 December 2023, net of accumulated depreciation and impairment	85,967	1,414	8,966	7,047	5,032	1,574	110,000
At 31 December 2023							
Cost or valuation	148,693	1,414	24,514	86,960	27,883	12,481	301,945
Accumulated depreciation and impairment	(62,726)	–	(15,548)	(79,913)	(22,851)	(10,907)	(191,945)
Net carrying amount	85,967	1,414	8,966	7,047	5,032	1,574	110,000

During the year ended 31 December 2023, reversal of impairment loss of HK$927,000 was made for certain property, plant and equipment (note 7) that have been reclassified as investment properties. The fair value of these assets was determined by the independent professional valuer (note 15).

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain of the Group's leasehold land and buildings situated in Mainland China were revalued at 31 December 1994 by Vigers Appraisal & Consulting Limited, an independent professionally qualified valuer. The leasehold land and buildings situated in Mainland China were revalued based on a combination of the market and the depreciated replacement costs. Since 31 December 1994, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80AA of HKAS 16 from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time.

Had the Group's ownership interests in properties held for own use been carried at historical cost less accumulated depreciation and impairment, their total carrying amounts at 31 December 2024 and 2023 would have been nil.

As at 31 December 2024, certain of the above ownership interests in properties held for own use that had an aggregate net carrying amount of HK$70,863,000 (2023: HK$72,106,000) were pledged to secure general banking facilities granted to the Group (note 25).

15. INVESTMENT PROPERTIES

	Notes	**2024** **HK$'000**	2023 HK$'000
Carrying amount at 1 January		**309,087**	240,941
Fair value losses, net	7	**(7,978)**	(11,482)
Transfer from owner-occupied properties	14	**3,959**	45,047
Transfer from right-of-use assets	16(a)	**–**	43,540
Exchange realignment		**(9,785)**	(8,959)
Carrying amount at 31 December		**295,283**	309,087

The investment properties of the Group are industrial properties located in Shajing, Hubei, Zhongshan, Xuzhou and Shanghai, the PRC and a commercial property in Shenzhen, the PRC. The Directors have determined that the investment properties consist of two class of asset, i.e., industrial and commercial in the PRC, based on the nature, characteristics and risks of the properties. The investment properties of the Group were revalued on 31 December 2024 based on the valuations performed by BMI Appraisals Limited, an independent professional qualified valuer, at HK$295,283,000 (31 December 2023: HK$309,087,000). The Group's finance department which reports directly to the senior management selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair value of the Group's investment properties is generally derived by using the income capitalisation method and the depreciated replacement cost approach. The Group's finance department has discussions with the external valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

15. INVESTMENT PROPERTIES (continued)

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

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

The depreciated replacement cost approach is based on an estimate of the new replacement cost of the building, structures and plant and machinery less allowance for physical deterioration and all relevant forms of obsolescent and optimisation.

Fair value hierarchy

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

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range as at 31 December 2024	Range as at 31 December 2023
Industrial properties in Mainland China	Level 3	Income capitalisation method	Prevailing markets rents (per sq.m. and per month)	**RMB7 to RMB52**	RMB8 to RMB58
			Capitalisation rates	**5.0% to 6.0%**	4.5% to 6.0%
Industrial property in Mainland China	Level 3	Market comparison Approach	Prevailing markets rates (per sq.m.)	**N/A**	RMB741 to RMB3,026
		Income capitalisation method	Prevailing markets rates (per sq.m. and per month)	**RMB17 to RMB19**	N/A
			Capitalisation rate	**5.0% to 5.5%**	N/A
		Depreciated replacement cost approach	Estimated replacement cost (per sq.m.)	**N/A**	RMB926 to RMB2,476
Commercial property in Mainland China	Level 3	Income capitalisation method	Prevailing markets rents (per sq.m. and per month)	**RMB77**	RMB78 to RMB85
			Capitalisation rates	**4.0% to 4.5%**	3.0% to 3.5%

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil).

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

Under the depreciated replacement cost approach, fair value is estimated based on estimated replacement cost. A significant increase/(decrease) in the building price and plant and machinery price and depreciation rate in isolation would result in a significant increase/(decrease) in the fair value of the investment property.

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

	Industrial properties in Mainland China	**Commercial property in Mainland China**	**Total**
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2023	240,941	–	240,941
Fair value gains/(losses), net	(11,493)	11	(11,482)
Transfer from owner-occupied properties	43,156	1,891	45,047
Transfer from right-of-use assets	40,165	3,375	43,540
Exchange realignment	(9,095)	136	(8,959)
Carrying amount at 31 December 2023 and 1 January 2024	**303,674**	**5,413**	**309,087**
Fair value losses	**(7,184)**	**(794)**	**(7,978)**
Transfer from an owner-occupied property	**3,959**	**–**	**3,959**
Exchange realignment	**(9,623)**	**(162)**	**(9,785)**
Carrying amount at 31 December 2024	**290,826**	**4,457**	**295,283**

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

As at 31 December 2024, certain investment properties of the Group, with a total carrying value of HK$199,669,000 (2023: 161,959,000) were pledged to secure general banking facilities granted to the Group (note 25).

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

16. LEASE

The Group as a lessee

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

(a) Right-of-use assets

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

	Properties HK$'000	Leasehold land HK$'000	Other equipment HK$'000	Total HK$'000
As at 1 January 2023	8,325	72,935	10	81,270
Additions	1,241	–	32	1,273
Write-off	–	–	(9)	(9)
Loss on revaluation	–	(1,778)	–	(1,778)
Transfer to investment properties (note 15)	–	(43,540)	–	(43,540)
Depreciation charge	(3,616)	(1,720)	(5)	(5,341)
Reversal of impairment (note 7)	–	3,710	–	3,710
Exchange realignment	(194)	(798)	–	(992)
As at 31 December 2023 and 1 January 2024	**5,756**	**28,809**	**28**	**34,593**
Additions	**3,408**	**–**	**–**	**3,408**
Depreciation charge	**(3,441)**	**(1,170)**	**(5)**	**(4,616)**
Impairment (note 7)	**–**	**(2,838)**	**–**	**(2,838)**
Exchange realignment	**(140)**	**(851)**	**–**	**(991)**
As at 31 December 2024	**5,583**	**23,950**	**23**	**29,556**

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

The pace and magnitude of the Group's recovery from the impact of the Covid-19 pandemic were slower less favourable than expected. These, together with existing challenging economic environment and other external developments, have affected the operating and financial performances of the Group's Paint products segment, as well as their future outlook and developments. The specific effect of this event, changes in circumstance and potential development on the Paint products segment underpinned the Group's impairment reviews at the end of the reporting period. Based on relevant impairment testings of the Group's right-of-use asset ("ROU Asset"), the Group recognised impairment loss of HK$2,838,000 in respect of a ROU Asset which belongs the Group's Paint products segment. The impairment loss for the year ended 31 December 2024 was determined based on the recoverable amount of the relevant cash generating unit ("CGU") to that impaired ROU Asset relates, which was its fair value less costs of disposal of HK$15,745,000 as at 31 December 2024. The fair value of the ROU Asset was determined by the independent professional valuer. The impairment loss recognised was included in "Other expenses, net" in the consolidated statement of profit or loss.

During the year ended 31 December 2023, reversal of impairment loss of HK$3,710,000 was made for leasehold land (note 7) that have been reclassified as investment properties. The fair value of these assets was determined by the independent professional valuer (note 15).

16. LEASE (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2024 HK$'000	2023 HK$'000
Carrying amount at 1 January	**6,276**	8,748
New leases	**3,408**	1,273
Accretion of interest recognised during the year	**335**	404
Payments	**(3,750)**	(3,943)
Exchange realignment	**(155)**	(206)
Carrying amount at 31 December	**6,114**	6,276
Analysed into:		
Current portion	**3,264**	2,646
Non-current portion	**2,850**	3,630

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

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

	2024 HK$'000	2023 HK$'000
Interest on lease liabilities	**335**	404
Depreciation charge of right-of-use assets	**4,616**	5,341
Expense relating to short-term leases (included in cost of sales, selling and distribution expenses and administrative expenses)	**2,807**	3,433
Total amount recognised in profit or loss	**7,758**	9,178

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

16. LEASE (continued)

The Group as a lessor

The Group leases its investment properties (note 15) consisting of six industrial properties in Mainland China, one commercial property in Mainland China and one insignificant portion of buildings in Mainland China (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income from the investment properties and an insignificant portion of building recognised by the Group during the year was HK$23,011,000 and HK$526,000 (2023: HK$20,616,000 and HK$483,000), respectively, details of which are included in note 6 to the financial statements.

At 31 December 2024, the undiscounted lease payment receivables by the Group in future periods under non-cancellable operating leases with third parties are as follows:

	2024	2023
	HK$'000	HK$'000
Within one year	**23,468**	20,045
After one year but within two years	**26,859**	20,647
After two years but within three years	**27,540**	24,049
After three years but within four years	**15,119**	24,654
After four years but within five years	**7,889**	11,987
Over five years	**12,427**	16,562
	113,302	117,944

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

	2024	2023
	HK$'000	HK$'000
Equity investment designated at fair value through other comprehensive income		
Unlisted club membership debenture, at fair value	**300**	300

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

18. DEPOSITS FOR PURCHASES OF PROPERTIES, PLANT AND EQUIPMENT

	2024	2023
	HK$'000	HK$'000
Carrying amount at 1 January	**4,185**	4,308
Exchange realignment	**(214)**	(123)
Carrying amount at 31 December	**3,971**	4,185

19. INVENTORIES

	2024	2023
	HK$'000	HK$'000
Raw materials	**12,642**	16,745
Work in progress	**2,875**	2,894
Finished goods	**3,147**	7,714
	18,664	27,353

20. TRADE AND BILLS RECEIVABLES

	2024	2023
	HK$'000	HK$'000
Trade receivables	**211,265**	247,374
Bills receivable	**32,040**	46,042
	243,305	293,416
Impairment	**(139,677)**	(121,564)
	103,628	171,852

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.

20. TRADE AND BILLS RECEIVABLES (continued)

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:

	2024 HK$'000	2023 HK$'000
Within three months	**55,670**	63,946
Over three months and within six months	**7,511**	21,061
Over six months	**40,447**	86,845
	103,628	171,852

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

2024	Note	**Trade receivables HK$'000**	**Bills receivable HK$'000**	**Total HK$'000**
At beginning of year		**91,945**	**29,619**	**121,564**
Provision for impairment of trade and bills receivables, net	7	**22,731**	**1,455**	**24,186**
Amount written off as uncollectible		**(1,987)**	**–**	**(1,987)**
Exchange realignment		**(3,122)**	**(964)**	**(4,086)**
At end of year		**109,567**	**30,110**	**139,677**

2023	Note	Trade receivables HK$'000	Bills receivable HK$'000	Total HK$'000
At beginning of year		60,124	14,473	74,597
Provision for impairment of trade and bills receivables, net	7	34,847	15,281	50,128
Amount written off as uncollectible		(2,059)	–	(2,059)
Exchange realignment		(967)	(135)	(1,102)
At end of year		91,945	29,619	121,564

Trade receivables

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

An additional impairment analysis is performed for higher default risk trade receivables. The loss allowance was measured at an amount equal to lifetime expected credit loss under simplified approach by considering the probability of default of counterparties. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting dates about past events, current conditions and forecasts of future economic conditions. As at 31 December 2024, the probability of default applied ranged from 47.7% to 100.0% (2023: 27.7% to 100.0%) and the loss given default ranged from 89.7% to 100.0% (2023: 61.5% to 93.4%).

20. TRADE AND BILLS RECEIVABLES (continued)

Trade receivables (continued)

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

As at 31 December 2024

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

As at 31 December 2023

	Credit-impaired receivables	Current	Past-due Within 3 months	Past-due 3 to 6 months	Past-due Over 6 months	Total
Expected credit loss rate	100.0%	14.7%	30.2%	42.0%	45.9%	37.2%
Gross carrying amount (HK$'000)	19,504	85,842	28,029	25,957	88,042	247,374
Expected credit losses (HK$'000)	19,504	12,655	8,462	10,903	40,421	91,945

Bills receivable

An impairment analysis is performed at each reporting date by considering the probability of default of counterparties. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As at 31 December 2024, the probability of default applied ranged from 32.6% to 100.0% (2023: 0.1% to 100.0%) and the loss given default was estimated to be 61.5% to 100.0% (2023: 61.5% to 100.0%).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Prepayments	**3,228**	3,013
Deposits and other receivables	**49,130**	51,037
	52,358	54,050
Analysed into:		
Current portion	**51,562**	53,286
Non-current portion	**796**	764

The financial assets included in the above balances related to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2024 HK$'000	2023 HK$'000
Cash and bank balances	**169,252**	143,792
Time deposits:		
– with original maturity of more than three months when acquired	**22,207**	100,145
Less: Pledged time deposits		
– with original maturity of more than three months when acquired	**(22,207)**	(98,994)
	169,252	144,943

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK$169,598,000 (2023: HK$205,103,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2024, time deposits amounted to HK$21,570,000 (2023: HK$98,117,000) were pledged for securing the Group's bills payable and HK$637,000 (2023: HK$877,000) were pledged for securing the performance bonds issued by the bank to customers on certain sales project on behalf of the Group as guarantees (note 33).

23. TRADE AND BILLS PAYABLES

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

	2024 HK$'000	2023 HK$'000
Within three months	**49,975**	71,790
Over three months and within six months	**34,389**	62,130
Over six months	**41,073**	61,603
	125,437	195,523

The trade and bills payables are unsecured, non-interest-bearing and are normally settled within two months. As at 31 December 2024, the bills payable with an aggregate carrying amount of HK$69,483,000 (2023: HK$115,694,000) were secured by time deposits of HK$21,570,000 (2023: HK$98,117,000).

24. OTHER PAYABLES AND ACCRUALS

	Notes	2024 HK$'000	2023 HK$'000
Deferred income	28	**283**	292
Contract liabilities	(a)	**1,121**	1,519
Other payables	(b)	**28,932**	31,764
Accruals		**18,399**	23,081
		48,735	56,656
Portion classified as current liabilities		**(44,715)**	(53,502)
		4,020	3,154

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000	1 January 2023 HK$'000
Short-term advances received from customers			
Sale of paint and coating products	**1,121**	1,519	1,319

Contract liabilities include advances received to deliver paint and coating products. The changes in contract liabilities in 2024 and 2023 were mainly due to the decrease in sales order, received from customers in relation to sales of paint and coating products near year end whereas the Group had not yet delivered the products to the customers.

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

25. INTEREST-BEARING BANK BORROWINGS

	31 December 2024			31 December 2023		
	Effective interest rate per annum (%)	**Maturity**	**HK$'000**	Effective interest rate per annum (%)	Maturity	HK$'000
Current						
Bank loans – secured	**3.5-3.8**	**2025-2027**	**67,075**	3.7-7.1	2024	80,308
Bank loans – unsecured	**5.9**	**2026**	**21,000**	5.0-6.9	2024-2026	40,437
			88,075			120,745

	2024 HK$'000	2023 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**88,075**	120,745

Notes:

(a) The above bank loans of HK$88,075,000 (2023: HK$120,745,000) containing a repayment on demand clause were already included in total current liabilities as at 31 December 2024. Accordingly, for the purpose of the above analysis, the bank loans due for repayment after one year, were analysed into bank loans and import loans repayable within one year or on demand as at the end of the reporting period.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank borrowings, the bank borrowings as at 31 December 2024 and 2023 are repayable:

	2024 HK$'000	2023 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**36,960**	99,745
In the second year	**20,738**	3,000
In the third to fifth years, inclusive	**30,377**	18,000
	88,075	120,745

(b) The Group's bank loans are secured by:

(i) the Group's ownership interests in properties held for own use with an aggregate net book value of HK$70,863,000 (note 14) as at 31 December 2024 (2023: HK$72,106,000);

(ii) the Group's investment properties with an aggregate carrying value of HK$199,669,000 (note 15) as at 31 December 2024 (2023: HK$161,959,000);

(iii) the Group's ownership interests in right-of-use assets with aggregate net book values of HK$19,319,000 (note16(a)) as at 31 December 2024; and

(iv) investment properties and certain portion of a building and carparks held by the Parent Group as at 31 December 2024 and 2023.

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

During the year ended 31 December 2023, except for the 5.0% unsecured bank loan with an aggregate carrying value of HK$16,437,000 and the 3.7% secured bank loan with an aggregate carrying value of HK$33,508,000 which are denominated in RMB, the Group's other bank borrowings are all denominated in HK$.

26. LOANS FROM THE PARENT GROUP

	31 December 2024			31 December 2023		
	Effective interest rate per annum (%)	Maturity	HK$'000	Effective interest rate per annum (%)	Maturity	HK$'000
Current						
Loans – unsecured	5.1-6.2	2026-2027	107,897	5.5-7.3	2026	95,970
			107,897			95,970

	2024 HK$'000	2023 HK$'000
Analysed into:		
Loans from the Parent Group repayable:		
Within one year or on demand	–	–
More than one year	107,897	95,970
	107,897	95,970

Notes:

(a) The above loans from the Parent Group of HK$107,897,000 (2023: HK$95,970,000) do not contain repayment on demand clause.

(b) Except for the 5.1-5.5% (2023: 5.5%) unsecured loans from the Parent Group with an aggregate carrying value of HK$32,897,000 (2023: HK$33,970,000) which are denominated in RMB, the other loans from the Parent Group are all denominated in HK$.

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Right-of-use assets		Revaluation of properties		Withholding taxes		Depreciation allowance in excess of related depreciation		Other		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year:	**713**	1,140	**33,947**	32,773	**2,048**	1,270	**2,535**	1,390	**1,131**	188	**40,374**	36,761
Deferred tax charged/(credited) to the statement of profit or loss during the year*	**86**	(399)	**(1,516)**	(3,042)	**(979)**	810	**1,664**	1,192	**273**	981	**(472)**	(458)
Deferred tax charged to the statement of comprehensive income during the year	**–**	–	**–**	5,101	**–**	–	**–**	–	**–**	–	**–**	5,101
Exchange realignment	**(21)**	(28)	**(1,041)**	(885)	**(52)**	(32)	**(115)**	(47)	**(40)**	(38)	**(1,269)**	(1,030)
At end of the year	**778**	713	**31,390**	33,947	**1,017**	2,048	**4,084**	2,535	**1,364**	1,131	**38,633**	40,374

Deferred tax assets

	Lease liabilities		Impairment of trade and bills receivables		Losses available for offsetting against future taxable profits		Depreciation in excess of related depreciation allowance		Accruals		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year:	**785**	1,202	**2,863**	3,487	**12,950**	8,837	**1,422**	1,535	**195**	299	**18,215**	15,360
Deferred tax credited/(charged) to the statement of profit or loss during the year*	**90**	(385)	**(457)**	(526)	**1,570**	4,405	**26**	(69)	**(90)**	(97)	**1,139**	3,328
Exchange realignment	**(23)**	(32)	**(85)**	(98)	**(427)**	(292)	**(45)**	(44)	**(5)**	(7)	**(585)**	(473)
At end of the year	**852**	785	**2,321**	2,863	**14,093**	12,950	**1,403**	1,422	**100**	195	**18,769**	18,215

* Net deferred tax credit to the consolidated statement of profit or loss for the year ended 31 December 2024 amounted to HK$1,611,000 (2023: HK$3,786,000) (note 11).

27. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 **HK$'000**	2023 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**17,991**	17,502
Net deferred tax liabilities recognised in the consolidated statement of financial position	**37,855**	39,661

At the end of the reporting period, deferred tax assets arising in certain of the Group's subsidiaries have not been recognised in respect of tax losses arising in Hong Kong of HK$464.1 million (2023: HK$456.4 million), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely and in Mainland China of HK$127.9 million (2023: HK$216.9 million) that are available for (i) all subsidiaries for a maximum of five years, except for (ii) those subsidiaries that qualify as a PRC High and New Technology Enterprises, which are eligible for a maximum of ten years. These subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2024, deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$117.3 million (2023: HK$135.8 million) at 31 December 2024.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. DEFERRED INCOME

	Notes	2024 HK$'000	2023 HK$'000
Carrying amount at 1 January		**626**	934
Recognised during the year	6	**(278)**	(284)
Exchange realignment		**(13)**	(24)
Carrying amount at 31 December		**335**	626
Portion classified as current liabilities	24	**(283)**	(292)
Non-current portion		**52**	334

As an arrangement of attracting foreign investments in Xuzhou, the PRC, the Group entered into certain agreements (the "Xuzhou Agreements") with the Xuzhou Economic Development Zone Committee ("徐州經濟開發區管委會") (the "Xuzhou Authority", under the municipal government of Xuzhou) on 10 April 2004. Pursuant to the Xuzhou Agreements, the Xuzhou Authority arranged the construction of the plant and office buildings for Giraffe Paint Mfg. Co., (Xuzhou) Ltd., a manufacturing subsidiary of the Group (the "Xuzhou Subsidiary") and also provided the required funding to the Xuzhou Subsidiary for the construction in the form of a loan to the Xuzhou Subsidiary (the "Construction Loan").

The construction of the plant and office buildings was completed, and the plant and office buildings were handed over to the Group for the solvent operation in July 2005. On 25 June 2007, the Group entered into certain revised agreements with the Xuzhou Authority to finalise the land premium payable at RMB4,793,000 for the parcel of land on which the plant and office buildings were constructed and waived the same amount of the Construction Loan. The amount was recorded as deferred income and is recognised in the consolidated statement of profit or loss over the weighted average useful life of the buildings and plant and machinery of the Xuzhou Subsidiary whose construction was financed by the Construction Loan.

29. SHARE CAPITAL

Shares

	2024 HK$'000	2023 HK$'000
Authorised:		
8,000,000,000 (2023: 8,000,000,000) ordinary shares of HK$0.10 each	**800,000**	800,000
Issued and fully paid:		
1,000,000,000 (2023: 1,000,000,000) ordinary shares of HK$0.10 each	**100,000**	100,000

30. SHARE OPTION SCHEME

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

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

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

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

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

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

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

30. SHARE OPTION SCHEME (continued)

The summary below sets forth the details of movement of options granted as of 31 December 2024 pursuant to the Scheme:

				Number of share options				
	Date of grant	Exercise period (Note)	Exercise price per share HK$	Outstanding as at 1 January 2024	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2024
Executive Directors								
Tsui Ho Chuen, Philip	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	10,000,000
Li Guangzhong	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	10,000,000
Non-Executive Director								
Chong Chi Kwan	15 June 2022	15 June 2022 to 14 June 2027	0.335	10,000,000	–	–	–	10,000,000
Employees	15 June 2022	15 June 2022 to 14 June 2027	0.335	50,000,000	–	–	(10,000,000)	40,000,000
Total				80,000,000	–	–	(10,000,000)	70,000,000

Note:

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

(a) 50% of the share options vested on the date of grant of the share options, i.e. 15 June 2022 and are exercisable from 15 June 2022 to 14 June 2027;

(b) 20% of the share options vested on one day before the first anniversary of the date of grant of the share options, i.e. 14 June 2023 and are exercisable from 15 June 2023 to 14 June 2027;

(c) 10% of the share options vested on one day before the second anniversary of the date of grant of the share options, i.e. 14 June 2024 and are exercisable from 15 June 2024 to 14 June 2027;

(d) 10% of the share options shall vest on one day before the third anniversary of the date of grant of the share options, i.e. 14 June 2025 and would be exercisable from 15 June 2025 to 14 June 2027; and

(e) 10% of the share options shall vest on one day before the fourth anniversary of the date of grant of the share options, i.e. 14 June 2026 and would be exercisable from 15 June 2026 to 14 June 2027.

30. SHARE OPTION SCHEME (continued)

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.

In addition, none of the share options granted under the Scheme were exercised, cancelled or lapsed during the year ended 31 December 2023.

No share options were granted under the Scheme during the year ended 31 December 2024 and 2023. The share option expenses of approximately HK$425,000 was recognised during the year ended 31 December 2024 (31 December 2023: HK$1,682,000).

At the end of the reporting period, the Company had 70,000,000 (31 December 2023: 80,000,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 70,000,000 (31 December 2023: 80,000,000) additional ordinary shares of the Company and additional share capital of HK$23,450,000 (31 December 2023: HK26,800,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 70,000,000 (31 December 2023: 80,000,000) share options outstanding under the Scheme, which represented 7% (31 December 2023: 8%) of the Company's shares in issue as at that date.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 99 and 100 of this Annual Report.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$3,408,000 (2023: HK$1,273,000) and HK$3,408,000 (2023: HK$1,273,000), respectively in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	2024		
	Loans from the Parent Group HK$'000	**Interest-bearing bank borrowings HK$'000**	**Lease liabilities HK$'000**
At 1 January 2024	**95,970**	**120,745**	**6,276**
Changes from financing cash flows	**13,195**	**(30,866)**	**(3,415)**
New leases	**–**	**–**	**3,408**
Interest expenses	**–**	**–**	**335**
Interest paid classified as operating cash flows	**–**	**–**	**(335)**
Foreign exchange movement	**(1,268)**	**(1,804)**	**(155)**
At 31 December 2024	**107,897**	**88,075**	**6,114**

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	2023		
	Loans from the Parent Group HK$'000	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2023	–	237,257	8,748
Changes from financing cash flows	95,680	(116,804)	(3,539)
New leases	–	–	1,273
Interest expenses	–	–	404
Interest paid classified as operating cash flows	–	–	(404)
Foreign exchange movement	290	292	(206)
At 31 December 2023	95,970	120,745	6,276

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 HK$'000	2023 HK$'000
Within operating activities	**3,142**	3,837
Within financing activities	**3,415**	3,539
	6,557	7,376

33. CONTINGENT LIABILITIES

At the end of the current and prior years, contingent liabilities not provided for in the financial statements were as follows:

	2024 HK$'000	2023 HK$'000
Guarantees given to the bank for:		
Performance bonds	**637**	877

The performance bonds were secured by the pledged deposits of HK$637,000 as at 31 December 2024 (2023: HK$877,000).

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's performance bonds, bills payable, and bank borrowings are included in notes 22, 23 and 25, respectively, to the financial statements.

35. CAPITAL COMMITMENTS

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

	2024	2023
	HK$'000	HK$'000
Contracted, but not provided for:		
Construction and purchases of items of property, plant and equipment	**1,222**	2,737

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2024**	2023
		HK$'000	HK$'000
Lease payments paid to the Parent Group	(i)	**2,093**	2,770
Pledge fees paid to the Parent Group	(ii)	**545**	1,534
Interest expenses paid to the Parent Group	(iii)	**5,977**	2,405

(i) The Group leased certain office premises from the Parent Group at rates mutually agreed between the parties.

(ii) Pledge fees were charged by the Parent Group for pledging certain properties in Hong Kong as securities for certain banking facilities granted to the Group at mutually agreed fees.

(iii) Loans have been granted by the Parent Group on normal commercial terms, which were not secured by the assets of the Group. The loan agreements were executed on mutually agreed terms. Further details of loans from the Parent Group are included in note 26 to the financial statements.

(b) During the years ended 31 December 2024 and 2023, the transactions in respect of item (a)(i), (a)(ii) and (a)(iii), above are also a continuing connected transaction as defined under Chapter 14A of the Listing Rules which are exempted from reporting, annual review and independent shareholders' approval under Chapter 14A of the Listing Rules.

(c) Compensation of key management personnel of the Group

	2024	2023
	HK$'000	HK$'000
Short term employment benefits	**10,179**	9,926
Post-employment benefits	**487**	494
Equity-settled share option expenses	**172**	420
Total compensation paid to key management personnel	**10,838**	10,840

Further details of Directors' remuneration are included in note 9 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2024

Financial assets

	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Equity investment designated at fair value through other comprehensive income	–	300	300
Trade and bills receivables	103,628	–	103,628
Financial assets included in prepayments, deposits and other receivables	3,200	–	3,200
Pledged deposits	22,207	–	22,207
Cash and cash equivalents	169,252	–	169,252
	298,287	300	298,587

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	125,437
Financial liabilities included in other payables and accruals	24,700
Lease liabilities	6,114
Interest-bearing bank and other borrowings	195,972
	352,223

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2023

Financial assets

	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Equity investment designated at fair value through other comprehensive income	–	300	300
Trade and bills receivables	171,852	–	171,852
Financial assets included in prepayments, deposits and other receivables	3,309	–	3,309
Pledged deposits	98,994	–	98,994
Cash and cash equivalents	144,943	–	144,943
	419,098	300	419,398

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	195,523
Financial liabilities included in other payables and accruals	26,803
Lease liabilities	6,276
Interest-bearing bank and other borrowings	216,715
	445,317

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group's finance department which reports directly to the senior management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The audit committee reviews the results of the fair value measurement of financial instruments periodically for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

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

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

Fair value hierarchy

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

	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Assets measured at fair value:				
At 31 December 2024				
Equity investment designated at fair value through other comprehensive income	–	**300**	–	**300**
At 31 December 2023				
Equity investment designated at fair value through other comprehensive income	–	300	–	300

Liabilities measured at fair value:
The Group did not have any financial liabilities at fair value as at 31 December 2024 and 2023.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and loans from the Parent Group, and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as trade and bills receivables, deposits and other receivables, equity investment designated at fair value through other comprehensive income, pledged deposits, trade and bills payables, other payables and accruals, and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policies for managing each of these risks are summarised below.

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on deposits with banks and floating rate borrowings). There is no impact on the Group's equity, except on the retained profits.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$'000**
2024		
HK$	**50**	**637**
RMB	**50**	**(460)**
HK$	**(50)**	**(637)**
RMB	**(50)**	**460**

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000
2023		
HK$	50	577
RMB	50	(604)
HK$	(50)	(577)
RMB	(50)	604

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's main operating subsidiaries are located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in HK$ and RMB. The Group also has significant investments in Mainland China and its consolidated statement of financial position, with a portion of its bank deposits, trade and bills receivables and trade and bills payables denominated in currencies other than the functional currencies of the operating subsidiaries, can be affected by movements in the exchange rate between HK$ and RMB.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB exchange rate %	**Increase/ (decrease) in loss before tax HK$'000**
2024		
If HK$ weakens against RMB	**5**	**153**
If HK$ strengthens against RMB	**(5)**	**(153)**

	Increase/ (decrease) in RMB exchange rate %	Increase/ (decrease) in loss before tax HK$'000
2023		
If HK$ weakens against RMB	5	(579)
If HK$ strengthens against RMB	(5)	579

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	211,265	211,265
Bills receivable*	32,040	–	–	–	32,040
Financial assets included in prepayments, deposits and other receivables					
– Normal**	3,200	–	–	–	3,200
Pledged deposits – Not yet past due	22,207	–	–	–	22,207
Cash and cash equivalents					
– Not yet past due	169,252	–	–	–	169,252
	226,699	–	–	211,265	437,964

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	99,819	25,771	–	121,784	247,374
Bills receivable*	46,042	–	–	–	46,042
Financial assets included in prepayments, deposits and other receivables					
– Normal**	3,309	–	–	–	3,309
Pledged deposits – Not yet past due	98,994	–	–	–	98,994
Cash and cash equivalents					
– Not yet past due	144,943	–	–	–	144,943
	393,107	25,771	–	121,784	540,662

* For trade receivables and bills receivable, impairment analysis is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group's policy is to regularly monitor the current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in the short and longer terms.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or within one year HK$'000	**In the second to fifth years HK$'000**	**Total HK$'000**
2024			
Trade and bills payables	**125,437**	**–**	**125,437**
Financial liabilities included in other payables and accruals	**24,700**	**–**	**24,700**
Interest-bearing bank and other borrowings*	**88,075**	**107,897**	**195,972**
Lease liabilities	**3,556**	**2,930**	**6,486**
	241,768	**110,827**	**352,595**

	On demand or within one year HK$'000	In the second to fifth years HK$'000	Total HK$'000
2023			
Trade and bills payables	195,523	–	195,523
Financial liabilities included in other payables and accruals	26,803	–	26,803
Interest-bearing bank and other borrowings*	120,745	95,970	216,715
Lease liabilities	2,926	3,881	6,807
	345,997	99,851	445,848

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

* Included in the above interest-bearing bank and other borrowings of the Group are certain bank loans and loans from the Parent Group with an aggregate carrying amount as at 31 December 2024 of HK$195,972,000 (2023: HK$216,715,000), the banking facility letters of which contain a repayment on-demand clause giving the creditor banks of the bank loans the right to call in the bank loans at any time. Accordingly, for the purpose of the above maturity profile, the contractual undiscounted payment of such bank loans of the Group are classified as "on demand or within one year".

In accordance with the terms of the bank loans which contain a repayment on demand clause, the maturity profile of those loans as at 31 December, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	On demand or within one year HK$'000	In the second to fifth years HK$'000	Total HK$'000
31 December 2024	**46,030**	**169,265**	**215,295**
31 December 2023	109,237	122,726	231,963

Notwithstanding the above clause, the Directors do not believe that such bank loans will be called in their entirety within 12 months at the end of the reporting period and they consider that the loans will be repaid in accordance with the maturity dates as set out in the banking facility letters. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements, the lack of events of defaults, and the fact that the Group has made all previously scheduled repayments on time.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio, which is bank and other borrowings divided by the equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2024 HK$'000	2023 HK$'000
Bank and other borrowings	**195,972**	216,715
Equity attributable to owners of the parent	**377,088**	444,465
Gearing ratio	**52.0%**	48.8%

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**27,094**	27,094
CURRENT ASSETS		
Prepayments	**229**	255
Loan to a subsidiary	**156,586**	147,925
Due from subsidiaries	**60,244**	58,978
Cash and cash equivalents	**12,346**	11,642
Total current assets	**229,405**	218,800
CURRENT LIABILITIES		
Other payables and accruals	**2,115**	1,845
Due to fellow subsidiaries	**777**	802
Total current liabilities	**2,892**	2,647
NET CURRENT ASSETS	**226,513**	216,153
Net assets	**253,607**	243,247
EQUITY		
Issued capital	**100,000**	100,000
Reserves (note)	**153,607**	143,247
Total equity	**253,607**	243,247

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2023	94,614	17,094	5,610	15,880	133,198
Total comprehensive income for the year	–	–	–	8,367	8,367
Equity-settled share option arrangements	–	–	1,682	–	1,682
At 31 December 2023 and 1 January 2024	**94,614**	**17,094**	**7,292**	**24,247**	**143,247**
Total comprehensive income for the year	**–**	**–**	**–**	**9,935**	**9,935**
Equity-settled share option arrangements	**–**	**–**	**425**	**–**	**425**
Transfer of share option reverse upon the lapse of share options	**–**	**–**	**(735)**	**735**	**–**
At 31 December 2024	**94,614**	**17,094**	**6,982**	**34,917**	**153,607**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 27 March 2025.

Schedule of Principal Properties

INVESTMENT PROPERTIES

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use	Gross floor area
Nos. 3889 and 3899 Waiqingsong Highway Qingou District Shanghai the PRC	100	Medium term	Industrial	6,674.9 sq.m.
22 Jinshui Road Xuzhou Economic Development Zone Xuzhou Jiangsu Province the PRC	100	Medium term	Industrial	3,661.5 sq.m.
Yabian Industrial Zone Shajing Town Bao'an District Shenzhen City the PRC	100	Medium term	Industrial	36,276.1 sq.m.
The intersection of Road No.4 and Road No.3 in South of Gedian Development Zone Ezhou City Hubei Province the PRC	100	Medium term	Industrial	4,483.7 sq.m.
Jiemin Village Sanjiao Town Zhongshan City Guangdong Province the PRC	100	Medium term	Industrial	10,409.6 sq.m.
Road No.4 Industrial Park No.2 Gedian Development Zone Ezhou City Hubei Province the PRC	90.5	Medium term	Industrial	14,608.7 sq.m.
Room 703, 7/F., Building 13 of Keenstar Bao'an District Shenzhen City the PRC	100	Medium term	Commercial	180.9 sq.m.

Glossary

AC Chairman	The chairman of the Audit Committee
AC or Audit Committee	The audit committee of the Board
AGM	Annual general meeting of the Company
Articles	The articles of association of the Company
Board	The board of Directors
CG Code	The provision under Corporate Governance Code contained in Appendix C1 to the Listing Rules
Chairman	The chairman of the Company
China Paint (1932)	The China Paint Manufacturing Company (1932) Limited, a wholly-owned subsidiary of the Company
China Paint (Shenzhen)	The China Paint Manufacturing (Shenzhen) Co., Ltd. (中華製漆(深圳)有限公司), a wholly-owned subsidiary of the Company
China Paint (Xinfeng)	The China Paint Mfg. Co., (Xinfeng) Ltd. (中華製漆(新豐)有限公司), a wholly-owned subsidiary of the Company
Company	CPM Group Limited
Company Secretary	The company secretary of the Company
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Hubei Giraffe	Hubei Giraffe Paint Mfg. Co., Ltd. (湖北長頸鹿製漆有限公司), a non-wholly owned subsidiary of the Company
Invested Entity	Any entity in which any member of the Group holds any equity interest
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Managing Director	The managing director of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
NC Chairman	The chairman of the Nomination Committee

Glossary

NC or Nomination Committee	The nomination committee of the Board
PRC	The People's Republic of China
RC Chairman	The chairman of the Remuneration Committee
RC or Remuneration Committee	The remuneration committee of the Board
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of HK$0.10 each in the capital of the Company
Share Option Scheme	The share option scheme adopted by the Company on 4 June 2020
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder(s)	has the meaning as defined in the Listing Rules
Yongcheng Eco-friendly	永成環保材料(廣東)有限公司 (Yongcheng Eco-friendly Materials (Guangdong) Co., Ltd.*), a wholly-owned subsidiary of the Company

* *For identification purpose only*

中漆集團有限公司
CPM GROUP LIMITED