



KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2025

(Stock Code : 180)

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Kenneth Ting Woo-shou, *SBS, JP* (Chairman and Managing Director)
 Mrs. Nancy Ting Wang Wan-sun
 Mr. Ivan Ting Tien-li
 Mr. Lao Wai-keung

Non-executive Director:

Mr. Bernie Ting Wai-cheung

Independent Non-executive Directors:

Mr. Andrew Yao Cho-fai, *BBS, JP*
 Mr. Desmond Chum Kwan-yue
 Ms. Sabrina Chao Sih-ming, *BBS, JP*
 Mr. Daryl Liu Zhen-rong

COMPANY SECRETARY

Mr. Lao Wai-keung

AUDIT COMMITTEE

Mr. Desmond Chum Kwan-yue (Chairman)
 Mr. Andrew Yao Cho-fai, *BBS, JP*
 Mr. Bernie Ting Wai-cheung

REMUNERATION COMMITTEE

Mr. Andrew Yao Cho-fai, *BBS, JP*
 (Chairman)
 Mr. Kenneth Ting Woo-shou, *SBS, JP*
 Mr. Daryl Liu Zhen-rong

NOMINATION COMMITTEE

Mr. Kenneth Ting Woo-shou, *SBS, JP*
 (Chairman)
 Mr. Desmond Chum Kwan-yue
 Ms. Sabrina Chao Sih-ming, *BBS, JP*

AUTHORISED REPRESENTATIVES

Mr. Kenneth Ting Woo-shou, *SBS, JP*
 Mr. Ivan Ting Tien-li

SOLICITORS

P.C. Woo & Co.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22 Kai Cheung Road
 Kowloon Bay
 Kowloon
 Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
 31 Victoria Street
 Hamilton HM 10
 Bermuda

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
 Chong Hing Bank Limited
 DBS Bank (Hong Kong) Limited
 Hang Seng Bank Limited
 The Bank of East Asia, Limited

INDEPENDENT AUDITORS

KPMG
 Certified Public Accountants
 Public Interest Entity Auditor registered
 in accordance with the Accounting and
 Financial Reporting Council Ordinance

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
 Victoria Place, 5th Floor
 31 Victoria Street
 Hamilton HM 10
 Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Hong Kong

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Kader Holdings Company Limited (the "Company"), I present to our shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2025.

The Group's revenue for the financial year ended 31 December 2025 amounted to approximately HK\$351.16 million, representing an increase of approximately 2.17% over that reported last year and the loss from operations for 2025 amounted to approximately HK\$8.39 million as compared to last year's loss from operations of approximately HK\$13.81 million. The Group's loss attributable to shareholders for the financial year ended 31 December 2025 was approximately HK\$189.59 million (2024: approximately HK\$186.70 million), which included the deficit on revaluation of investment properties of approximately HK\$109.99 million (2024: approximately HK\$112.37 million) and finance costs of approximately HK\$31.38 million (2024: approximately HK\$39.73 million).

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: HK\$Nil).

The continuous global economic volatilities and geopolitical conflicts have significant impacts on the performance of the Group for the financial year of 2025. Faced with the unpredictable challenges, the Group will keep on diversifying its businesses in addition to the enhancement of its existing businesses and explore sales opportunities. In relation to cost control, the Group will continue to streamline the operational procedures to enhance efficiency and implement various measures to minimize the costs. With the above measures and the experienced and dedicated management team, the Group is optimistic about improving the returns to the shareholders in the future.

The whole process of revitalization of Kader Building where our head office currently situates is near to the end and the Group is optimistic that its value and the rental income will be steadily improved in the future.

On behalf of the Board, I would like to take this opportunity to express my appreciation to the Board members, our experienced management team and our dedicated team of employees who devoted themselves to the Group during the past year. Their contributions are unflinching and most instrumental to the continued viability of the Group. In addition, I take this opportunity to extend our gratitude to our customers, suppliers, business partners and shareholders for their unwavering support and confidence in the Group.

Kenneth Ting Woo-shou
Chairman

Hong Kong, 23 March 2026

Management Discussion and Analysis

RESULTS

The Board announces that the Group's revenue for the financial year ended 31 December 2025 amounted to approximately HK\$351.16 million, representing an increase of approximately 2.17% over that reported last year and the loss from operations for 2025 amounted to approximately HK\$8.39 million as compared to last year's loss from operations of approximately HK\$13.81 million. The Group's loss attributable to equity shareholders for the financial year ended 31 December 2025 was approximately HK\$189.59 million (2024: 186.70 million), which included the deficit on revaluation of investment properties of approximately HK\$109.99 million (2024: approximately HK\$112.37 million) and finance costs of approximately HK\$31.38 million (2024: approximately HK\$39.73 million).

BUSINESS REVIEW

The continuous global economic volatilities and the geopolitical tensions and conflicts have significant impacts on the Group's performance for 2025. The global economic outlook remained fragile owing to subdued consumer sentiment and tariff tensions. To cope with these uncertainties conditions, the Group will continuously diversify its businesses, explore sales opportunities, implement further measures to enhance efficiency and strengthen the cost control measures.

Toys and Model Trains

The toys and model trains business represents the manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are mainly manufactured in the Group's manufacturing facilities located in Chinese Mainland and mostly sold to the United States, Europe and Chinese Mainland. For the financial year ended 31 December 2025, the revenue was approximately HK\$307.36 million, representing an increase of approximately 4.60% as compared to last year's revenue of approximately HK\$293.84 million.

The Group will strive to explore new sales opportunities and manufacture high quality products with competitive prices to sustain its business.

Property Investment

Other than the core toys and model trains business, the property investment business plays a significant role too. The Group's properties are located in Hong Kong and overseas. For the financial year ended 31 December 2025, the Group's rental income amounted to approximately HK\$43.80 million (2024: approximately HK\$49.87 million). The rental income represented approximately 12.47% of the Group's revenue for the year (2024: approximately 14.51%).

During the year under review, the Group recorded valuation deficit of its investment properties of approximately HK\$109.99 million (2024: approximately HK\$112.37 million). The occupancy rate of its major investment properties, Kader Building, was approximately 63% (2024: approximately 68%).

Management Discussion and Analysis *(Continued)*

RISKS AND UNCERTAINTIES

The Group's financial position and results of operations may be affected by a number of risks and uncertainties pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group:

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions which would not be completely mitigated even with strict operational procedures.

Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. The Group analyses its interest rate exposure on a dynamic basis and manages this risk in a cost-effective manner.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks for banking facilities, if necessary.

Customer risk

The Group has endeavoured to diversify its customer base and provided quality products and services to the customers to maintain good relationship with them so as to mitigate the customer risk. For the year ended 31 December 2025, there is one customer with whom transactions have exceeded 10% of the Group's revenue. The sales to that customer represented approximately 11.46% of the Group's sales.

Foreign Exchange Rate Risk

Major assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, United States dollars, Sterling Pounds ("GBP"), Renminbi Yuan ("RMB"), Japanese Yen ("JPY"), Euro ("EUR"), Australian dollar ("AUD") and Singapore dollar ("SGD"). As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP, RMB, JPY, EUR, AUD and SGD denominated transactions for which the exchange rate volatility is relatively high.

Management Discussion and Analysis *(Continued)*

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group places strong emphasis on sustainable development and has enhanced its systems and policies to support our emission-reduction targets, including those related to key performance indicators, greenhouse gas emissions, waste generation, and the use of energy and water. We have established a top-down Sustainability Governance Structure, under which the Environmental, Social and Governance (“ESG”) Committee oversees ESG-related matters and convenes internal meetings regularly. In parallel, the Group maintains a comprehensive Environmental, Health and Safety (“EHS”) Management System and an EHS Committee, which meets regularly to review environmental performance and conducts inspections to ensure effective implementation across all plants. To strengthen ESG and climate-related risk management, the Group has adopted a robust risk management framework that embeds climate-related risks into daily operations, strategic planning, and decision-making, and integrates these considerations into our enterprise risk management processes. Since the financial year of 2025, we have also conducted climate scenario analysis and ESG risk assessments to ensure a comprehensive understanding of climate-related risks and opportunities, and to formulate robust strategies and implementation plans accordingly.

In the financial year of 2025, the Group was not aware of any material non-compliance with the applicable environmental laws and regulations in Hong Kong and Chinese Mainland.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has been maintaining long-term trusting relationships with its employees, customers and suppliers:

Employees

The Group believes that employees are the driving force behind our business success. We are committed to creating a supportive and innovative workplace for employees as well as cultivating a corporate culture with mutual trust and encouragement. We place a strong focus on improving employment management, safeguarding employees’ health and safety, and ensuring they can fully leverage their strengths and potentials. We respect the unique perspective and experience of each employee. We are determined to provide equal employment and training opportunities to suitable candidates and all staff.

Customers

The Group strives to maximise customer loyalty through quality products and on-time delivery. Quality Management system has been developed to systemise and standardise the product quality control process. The Group firmly believes that customer satisfaction plays a vital role within our business as well as acting as a key differentiator that enables us to thrive. All customers are welcomed to express their opinions and suggestions on our products and/or services through different channels.

Management Discussion and Analysis *(Continued)*

Suppliers

We understand that it is essential for our supply chain to align with our corporate social responsibility (“CSR”) commitments and thus we select our suppliers carefully. All potential suppliers are requested to process evaluating purposes, including filling in the quality survey, providing compliance proof and submitting testing reports or reference sample. Supplier performance appraisal is also conducted regularly to assess their performance. In addition to quality consideration, we also take into account various ESG-related areas, including anti-corruption, occupational health and safety, product safety, labour standards and environmental protection.

For more details, please refer to the “Environmental, Social and Governance Report” section in this annual report.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2025, the Group’s net asset value per share was approximately HK\$1.83 (2024: approximately HK\$2.03). The Group had net current liabilities of approximately HK\$386.02 million (2024: approximately HK\$325.12 million). Total bank borrowings were approximately HK\$719.77 million (2024: approximately HK\$673.71 million) while the secured total banking facilities were approximately HK\$858.8 million (2024: approximately HK\$871.13 million). Included in total bank borrowings were revolving loans of approximately HK\$655.23 million (2024: approximately HK\$596.50 million) which are intended to be rolled over upon maturity. The Group’s financial gearing, based on the total bank borrowings compared to the total equity, was approximately 41.27% (2024: approximately 35.00%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks for banking facilities for working capital needs, if necessary.

Capital Structure

During the year, there were no changes in the Company’s share capital.

Charges on Group Assets

As at 31 December 2025, investment properties and certain leasehold land and buildings of the Group with a net book value of approximately HK\$1,739.83 million (2024: approximately HK\$1,829.17 million) were mortgaged to various banks to secure the banking facilities granted to the Group.

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the year ended 31 December 2025.

Management Discussion and Analysis *(Continued)*

Contingent Liabilities

As at 31 December 2025, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group employed 588 (2024: 768) full time management, administrative and production staff in Hong Kong Special Administrative Region, Chinese Mainland, the United States, Europe and Singapore. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains stable. The staff costs for the year ended 31 December 2025 amounted to approximately HK\$139.92 million (2024: approximately HK\$150.47 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

The economic outlook for the year ahead will continue to be challenging due to unpredictable global economy, continuous geopolitical conflicts and keen competition among industry. Faced with the challenging and variable global economy, a cautious and proactive approach will be maintained. The Group will always put effort into diversifying its businesses, exploring sales opportunities, raising production efficiency and maintaining the cost control measures in order to mitigate the external impacts and sustain its businesses. The whole process of revitalization of Kader Building is continuing and nearly come to the end. It is anticipated that its value and rental income will be steadily improved in the future.

By order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 23 March 2026

Corporate Governance Report

The Board of Directors presents this Corporate Governance Report for the year ended 31 December 2025.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to enhance corporate performance and accountability. The Board regularly reviews and adopts corporate governance guidelines and developments. The Board believes that good corporate governance will in the long term serve to enhance shareholders' value.

The Board sets its corporate governance procedure and duties pursuant to the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and it accordingly reviews and monitors the training and continuous development in profession of directors and senior management and its policies and practices in compliance with relevant laws and regulatory requirements. The Company has adopted and applied a corporate governance policy. During the reporting year, the Group has complied with all applicable code provisions set out in the CG Code, except for the deviation from CG Code C.2.1 as described below:

Under CG Code C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kenneth Ting Woo-shou has the combined role of Chairman and Managing Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as non-executive director and independent non-executive directors ("INEDs") form the majority of the Board, with five out of nine of the directors of the Company being non-executive director and INEDs during the year under review. The Board believes the appointment of Mr. Kenneth Ting Woo-shou to the posts of Chairman and Managing Director is beneficial to the Group as he has considerable industry experience.

CULTURE AND VALUES

A healthy corporate culture across the Group is integral to attain its vision, values and strategies. It is the Board's role to foster six corporate values as disclosed in the "Environmental, Social and Governance Report" section, with integrity and to ensure the Company's vision, values and business strategies are aligned to it.

The Group strives to maintain high standards of business ethics and corporate governance across all activities and operations. The required standards and norms are explicitly set out in the employee handbook. The Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth with the commitment of the corporate values.

Corporate Governance Report *(Continued)*

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as its model code for securities transactions by the Company's directors and relevant employees who are or may be in possession of unpublished inside information. Based on specific enquiries made, all directors have confirmed that they have complied with the Model Code throughout the year.

BOARD OF DIRECTORS

The Board currently comprises four Executive Directors (one of whom is the Chairman and Managing Director of the Company), one Non-executive Director and four INEDs. The name of directors, their length of tenure and current period of appointment are set out as below. The biographical details of all current directors of the Company, including the relationship amongst them, are set out on pages 27 to 31 of this annual report.

Name of Directors	Length of Tenure (Year)	Current Period of Appointment (Year)
Executive Directors:		
Mr. Kenneth Ting Woo-shou <i>(Chairman and Managing Director)</i>	36	1
Mrs. Nancy Ting Wang Wan-sun	17	3
Mr. Ivan Ting Tien-li	19	3
Mr. Lao Wai Keung	4	2
Non-executive Director:		
Mr. Bernie Ting Wai-cheung	15	3
Independent Non-executive Directors:		
Mr. Andrew Yao Cho-fai	21	2
Mr. Desmond Chum Kwan-yue	16	1
Ms. Sabrina Chao Sih-ming	6	1
Mr. Daryl Liu Zhen-rong	2	2

Chairman and Managing Director

Mr. Kenneth Ting Woo-shou currently holds the offices of Chairman and Managing Director of the Company. The Board believes that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Corporate Governance Report *(Continued)*

Non-executive Director and Independent Non-executive Directors

Non-executive Director and INEDs are selected with the necessary skills and experience to provide a strong independent element on the Board and to exercise independent judgement. All Non-executive Director and INEDs are appointed for non-specific term and are subject to re-election upon retirement by rotation at least once every three years under the Listing Rules and the Company's Bye-laws. The Board believes the Non-executive Director and INEDs are well-qualified and competent in advising the Group on business strategies, finance and management issues. The INEDs are explicitly identified in all corporate communications, and some have significant accounting and financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each INED a written annual confirmation of independence. All the INEDs meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The following mechanisms are implemented to ensure independent views and input are available to the Board and will be reviewed by the Company on an annual basis.

1. A sufficient number of INEDs representing more than one-third of the Board and all of them continue to devote adequate time contribution to the Company;
2. All INEDs share their views and opinions through regular quarterly meetings with Executive Directors and senior managements;
3. Monthly updates on business performance are arranged for INEDs providing opportunities for them to express their views and inputs;
4. Annual meeting between the Chairman and all INEDs without presence of other Directors providing effective platform for the Chairman to listen independent views on various issues concerning the Group; and
5. Independent professionals advice would be provided to INEDs upon reasonable request to assist them to perform their duties to the Company.

Appointment and Re-election of Directors

All directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least every three years on a rotational basis. Where vacancies exist on the Board, candidates are proposed and put forward to the Board for consideration and approval. In accordance with the Company's Bye-laws, all newly appointed directors shall hold office until the next following annual general meeting of the Company after their appointment and shall then be eligible for re-election.

Corporate Governance Report *(Continued)*

Continuous Professional Development of Directors

Upon their appointment, the new directors receive a package of orientation materials provided by legal advisers and attend extensive presentations given by senior executives to review the Group's businesses and to understand the statutory and regulatory obligations of a director of a listed company. Development and training of directors is an ongoing process so that they can perform their duties appropriately. The Group continuously updates directors on the latest changes in the commercial environment and the current development of the Listing Rules and other applicable regulatory requirements, to ensure compliance and to enhance their awareness of good corporate governance practices. All directors are encouraged to attend relevant training courses at the Company's expense.

The directors have provided to the Company their training records in the year. All of them have participated in appropriate continuous professional development by attending trainings or reading materials relevant to the Company's business or the directors' duties and responsibilities. All directors, namely Mr. Kenneth Ting Woo-shou, Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li, Mr. Lao Wai Keung, Mr. Bernie Ting Wai-cheung, Mr. Andrew Yao Cho-fai, Mr. Desmond Chum Kwan-yue, Ms. Sabrina Chao Sih-ming and Mr. Daryl Liu Zhen-rong complied with the CG Code during the reporting year.

During the year, the Company has renewed the directors' and officers' liability insurance which provides appropriate cover for the directors and senior management.

Role of the Board

The Board is responsible for setting the strategic direction and policies of the Group and supervising management. The functions normally reserved for the Board are the monitoring and approving material transactions; steering the Group on strategic direction; setting up a Board committee for issues the Board deems appropriate; reviewing and approving the interim and final results; overseeing the effectiveness of the risk management and internal control system; overseeing and monitoring the environmental, social and governance matters; evaluating major corporate, strategic and operational issues that have a significant impact on the Group; and evaluating major investment opportunities which management has not already identified and/or, if the investment is so material, requires the Board to make a decision.

The Board performance review will be conducted in compliance with the CG Code as amended with effect from 1 July 2025.

Corporate Governance Report *(Continued)*

Board Meetings

The Board meets regularly and at least four times a year. Additional board meetings will be held when required. The board papers and related materials are dispatched to the directors within a reasonable time before the board meetings. In addition, directors have full access to information of the Group and can obtain independent professional advice whenever deemed necessary. The Company Secretary is responsible for communications with Board members.

Attendance Records of Directors

The attendance records of individual members of the Board and other Board Committees during the financial year are set out as below:

Name of Directors	Number of meetings attended/held				Annual General Meeting
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	
Mr. Kenneth Ting Woo-shou	4/4	-	1/1	1/1	1/1
Mrs. Nancy Ting Wang Wan-sun	3/4	-	-	-	1/1
Mr. Ivan Ting Tien-li	3/4	-	-	-	1/1
Mr. Lao Wai Keung	4/4	-	-	-	1/1
Mr. Bernie Ting Wai-cheung	4/4	2/2	-	-	1/1
Mr. Andrew Yao Cho-fai	4/4	1/2	1/1	-	1/1
Mr. Desmond Chum Kwan-yue	4/4	2/2	-	1/1	1/1
Ms. Sabrina Chao Sih-ming	2/4	-	-	0/1	1/1
Mr. Daryl Liu Zhen-rong	4/4	-	1/1	-	1/1

During the year, the Chairman held a meeting with INEDs without the presence of other Directors.

BOARD COMMITTEES

Pursuant to the CG Code, the Board established three committees, namely, Remuneration Committee, Audit Committee and Nomination Committee to oversee particular aspects of the Group's affairs.

The Company also established the Executive Committee in July 2006 with delegated authority to deal with the various miscellaneous banking matters of the Company. This committee comprises all the Executive Directors of the Company.

Corporate Governance Report *(Continued)*

The Board is responsible for performing the corporate governance functions which included:-

- (a) developing and reviewing the Company's policies and practices on corporate governance;
- (b) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (c) reviewing and monitoring the training and continuous professional development of the directors and senior management;
- (d) developing, reviewing and monitoring the code of conduct applicable to employees and directors of the Company; and
- (e) reviewing the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

Remuneration Committee

The Remuneration Committee was established in 2005 with written Terms of Reference posted on the Stock Exchange's website and the Company's website. The Remuneration Committee comprises two INEDs and one Executive Director. Currently, the Remuneration Committee is chaired by Mr. Andrew Yao Cho-fai, an INED of the Company. Other members of the Committee are Mr. Kenneth Ting Woo-shou and Mr. Daryl Liu Zhen-rong who was appointed as a member of the Committee with effect from 1 January 2025. Mr. Floyd Chan Tsoi-yin ceased to be a member of the Committee on 1 January 2025.

During the year, Remuneration Committee held one meeting to perform their functions as specified in the Terms of Reference. The role and function of the Committee is to make recommendations to the Board on the policy and structure for the remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Committee determines the remuneration packages of individual executive directors and senior management and makes recommendations to the Board on the remuneration of non-executive directors, based on the profitability of the Group, the relevant market data, the performance and contribution of the individual directors as well as reviews and/or approves matter relating to share schemes (if any). The primary objective is to retain and motivate the directors by linking their remuneration with performance and measuring it against corporate goals. However, no director can approve his or her own remuneration.

The emoluments of each of the director of the Company for 2025 are set out in note 7 to the financial statements.

Corporate Governance Report *(Continued)*

Audit Committee

The Audit Committee was established in 1999 with written Terms of Reference posted on the Stock Exchange's website and the Company's website. The Audit Committee comprises two INEDs and one Non-executive Director during the year under review. All committee members have appropriate industry and/or financial experience to perform their role in the business of the Audit Committee. Currently, the Committee is chaired by Mr. Desmond Chum Kwan-yue, an INED of the Company and the other members of the Committee are Mr. Andrew Yao Chofai and Mr. Bernie Ting Wai-cheung who was appointed as a member of the Committee with effect from 1 January 2025. Mr. Floyd Chan Tsoi-yin ceased to be a member of the Committee on 1 January 2025.

The Audit Committee held two meetings during the year to perform their functions as specified in the Terms of Reference. During the year under review, the Audit Committee has met with management to review the interim and annual financial statements and to consider key accounting policies, and discussed with management the Group's risk management and internal controls and auditing and financial reporting matters.

Under its Terms of Reference, the duties of the Audit Committee, amongst other things, shall be to oversee the relationship with the external auditors, to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to consider any questions of resignation or dismissal of that auditor, and to review with senior management and external auditors the accounting principles and practices adopted, the Listing Rules and statutory compliance, internal control, related party transactions, risk management and financial reporting matters, including interim and annual financial statements and to provide recommendations to the Board.

The Audit Committee members have monitored the integrity of the Group's financial statements, annual and interim reports and accounts. They have also reviewed the significant financial reporting judgements contained in them. The review of the financial statements in the annual and interim reports, before submission to the Board, focused on:

1. Any changes in accounting policies and practices;
2. Major judgemental areas;
3. Significant adjustments resulting from audit;
4. The going concern assumptions and any qualifications;
5. Compliance with accounting standards;

Corporate Governance Report *(Continued)*

6. Compliance with the Listing Rules and other legal requirements in relation to financial reporting; and
7. Any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give due consideration to any matters that have been raised by senior management.

The Audit Committee also discussed issues and reservations arising from the audit work performed, and any matters the auditors might wish to discuss (in the absence of management where necessary).

The Audit Committee has performed an annual review of the control systems which included:

1. Reviewing the financial controls, risk management and internal control systems;
2. Discussing with management the system of risk management and internal control to ensure that management has performed its duty to have an effective risk management and internal control system including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function;
3. Considering any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
4. Ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;
5. Reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
6. Reviewing the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
7. Ensuring that the Board provided a timely response to the issues raised in the external auditor's management letter; and
8. Reporting to the Board on these matters as deemed appropriate.

Corporate Governance Report *(Continued)*

Nomination Committee

The Company established the Nomination Committee in 2012 with written Terms of Reference posted on the Stock Exchange's website and the Company's website. In compliance with the amendment of CG Code with effect from 1 July 2025, the Terms of Reference have been updated during the year with the approval of the Board on 24 June 2025. The Nomination Committee comprises two INEDs and one Executive Director. Currently, the Nomination Committee is chaired by Mr. Kenneth Ting Woo-shou. Other members of the Committee are Mr. Desmond Chum Kwan-yue and Ms. Sabrina Chao Sih-ming who was appointed as a member of the Committee with effect from 1 January 2025. Mr. Floyd Chan Tsoi-yin ceased to be a member of the Committee on 1 January 2025.

The Nomination Committee held one meeting during the year. The duties of the Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement corporate strategy; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; (iii) assess the independence of INEDs; (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive; (v) review the Board Diversity Policy; and (vi) review the Nomination Policy.

The Committee will continuously perform its duties as specified in the updated Terms of Reference which became effective on 24 June 2025.

Board Diversity Policy

The Company has formulated the Board Diversity Policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company. 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. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board consists of a diverse mix of directors with skills and experience which can bring varying perspectives, make professional contributions and oversee the Company's business as well as development.

Corporate Governance Report *(Continued)*

The table below shows the skills matrix of the Board during the year under review.

Expertise	Number of Directors
Extensive board and executive management experience	9
Relevant industry experience of the Group	5
Other listed company directorship roles	2
Experience in government organizations and public bodies	6
Professional in accounting, finance and company governance	3

Nomination Policy

The Company has formulated the Nomination Policy in December 2018 aiming at setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board of the Company for appointment or (ii) shareholders of the Company for election, as a director of the Company.

1. Nomination Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

- 1.1 **Skills, Experience and Professional Expertise:** The candidate should possess the skills, knowledge, experience and professional expertise which are relevant to the operations of the Company and its subsidiaries.
- 1.2 **Diversity:** Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company.
- 1.3 **Commitment:** The candidate should be able to devote sufficient time to attend the board meetings and participate in other board associated activities.
- 1.4 **Standing:** The candidate should have the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.
- 1.5 **Independence:** The candidate to be nominated as an independent non-executive director must satisfy the independence criteria set out in the Listing Rules.

Corporate Governance Report *(Continued)*

2. Nomination Procedures

- 2.1 If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.
- 2.2 On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration.
- 2.3 The Board shall observe the Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity.

The Company considers that it has complied with the Board Diversity Policy. As at 31 December 2025, out of nine directors at the Board level, two are female representing approximately 20% of the Board. The Nomination Committee will continue in its best endeavours to promote and maintain diversity into the Board when selecting potential candidates and making recommendations to the Board based on the Board Diversity Policy and Nomination Policy.

For details of gender diversity at the workforce level (including senior management), please refer to the "Environmental, Social and Governance Report" section from pages 37 to 104 of this annual report.

AUDITOR'S REMUNERATION

Each year, the auditors are appointed at the Annual General Meeting ("AGM") and at the AGM held on 24 June 2025, directors were authorised to fix the auditors' remuneration for auditing services rendered.

The fees for services provided by the Group's auditors, KPMG, for the year ended 31 December 2025 are as follows:

Service rendered	Fees paid/payable <i>HK\$</i>
Audit services	4,521,000
Non-assurance services	<u>46,000</u>
	<u><u>4,567,000</u></u>

Corporate Governance Report *(Continued)*

In addition, audit services and non-assurance services were provided by other auditors to certain subsidiaries for the year ended 31 December 2025 and the related fees amounted to HK\$461,000.

The fee paid for non-assurance services mainly included tax compliance services and tax advisory services.

Save as disclosed above, the auditors have not so far provided any significant non-assurance services. Should any non-assurance services be considered to be conducted by our auditors, the Audit Committee would consider these proposals based on the policy developed by them in this regard, and would then make recommendations to the Board.

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibilities to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group. The directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The responsibility of the auditors with respect to the financial statements is set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is committed to set up and maintain an effective risk management and internal control systems which are devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems.

The Board is responsible for maintaining a sound and effective risk management and internal control systems particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Company's assets.

Corporate Governance Report *(Continued)*

During the year of 2025, the outsourced internal auditor responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, provided reports to the Audit Committee and the management highlighting observations and recommendations to improve the risk management and internal control systems. The management agreed on the findings and adopted the recommendations accordingly.

The Audit Committee considered that there was no material defect in the Company's internal control review report.

The Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems during the year, including financial, operational, compliance and risk management. The Board is of the view that the existing risk management and internal control systems are effective and adequate to the Group.

For the handling and dissemination of inside information, the Group has set up the following procedures and internal controls:

- (1) The non-disclosure of confidential information is codified in the staff handbook;
- (2) The inside information will only be disseminated to specified persons on a need-to-know basis; and
- (3) The notifications regarding blackout period and securities dealing restrictions are sent to the relevant directors and employees.

The Group will review the effectiveness of the current procedures from time to time to ensure the compliance of the regulatory requirements.

DIVIDEND POLICY

The Company has formulated a Dividend Policy in 2018 which set out the guidelines for the Board to determine the payment of dividends. Dividends may be distributed by way of cash and by other means that the Board considers appropriate. A decision to declare and pay dividends will require the approval of the Board and will be at its discretion. Such discretion is subject to the applicable laws and regulations, the Company's Bye-laws and the approval of the shareholders, if applicable.

In determining the dividend payment ratio in respect of a financial year, the Board will take into account a desire to maintain and increase the dividend levels within the overall objective of maximizing shareholders' value over the long term. The dividend will generally be paid in the form of an interim and a final dividend.

Corporate Governance Report *(Continued)*

In considering the level of dividend and means of payments, the Board will take into account the following factors:

1. results of operations and retained earnings;
2. cash flows;
3. financial conditions;
4. shareholders' interest;
5. capital requirements and investment plans;
6. general business conditions and strategies;
7. dividend yield of similar-sized companies listed in Hong Kong;
8. other relevant factors.

The Company confirmed that, based on the results of operations and the financial conditions of the Group, all dividend decisions during the year made by the Board were made in accordance with the Dividend Policy.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. This provides opportunities for shareholders and investors to raise their queries and share their views with our directors and/or senior management. Shareholders may call for special general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the principal place of business a written request for such general meetings together with the proposed agenda items. At any general meeting a resolution put to the vote of the meeting must be taken by poll.

INVESTOR RELATIONS

The Group endeavours to continue maintaining a high level of transparency in communicating with shareholders and investors. The Group is committed to maintain two-way communications with shareholders and investors and to update shareholders and investors on relevant information in its business in a timely manner subject to the relevant regulatory requirements.

Enquiries may be put to the Board through the Company Secretary by post at the principal place of business of the Company.

Corporate Governance Report *(Continued)*

Shareholders' Communication Policy

The Company has formulated a Shareholders' Communication Policy in September 2022 setting out the provisions with the objective of ensuring that shareholders are provided with ready, equal and timely access to material information about the Company.

The Board shall maintain an on-going dialogue with shareholders and will regularly review the policy to ensure its effectiveness.

Information shall be communicated to shareholders and potential investors mainly through the following channels:

- (a) Company's publications;
- (b) Annual general meetings and other general meetings (if any); and
- (c) the Company's website.

The Group maintains a corporate website at www.kaderholdings.com which enables shareholders, investors and potential investors to track the Group's latest developments. This acts as an effective medium for information disclosure, and provides comprehensive and update information on the Group's operations, announcements, circulars, notices, as well as interim and annual reports.

The Company has reviewed its Shareholders' Communication Policy during the year and, taking into account all of the circumstances described, believes the policy is appropriate and effective.

During the year of 2025, there is no substantial change in the Memorandum of Association and Second Amended and Restated Bye-Laws of the Company which has been posted on the Stock Exchange's website and the Company's website.

As at 31 December 2025, the Company had 950,587,991 shares in issue, with a par value of HK\$0.10 each. Interests of the directors and chief executives in the shares of the Company are disclosed in the Directors' Report set out on pages 32 to 34 of this annual report.

Directors' Report

The Directors of the Company submit their annual report together with the audited financial statements for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company is incorporated in Bermuda under the Bermuda Companies Act 1981 with limited liability. The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are the manufacture and trading of plastic, electronic and stuffed toys and model trains, property investment, and investment holding.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 10 to the financial statements.

SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31 December 2025 are set out in note 13 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2025 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 112 to 213.

BUSINESS REVIEW

A business review of the Group is provided in the Management Discussion and Analysis on pages 4 to 8. An analysis of the Group's performance using financial key performance indicators is provided in the Five-Year Summary on pages 215 to 216. No important events affecting the Group have occurred since the end of the financial year under review.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 215 to 216 of the annual report.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 (c) to the financial statements. There was no change in the authorized and issued share capital during the year.

TRANSFER TO RESERVES

Loss attributable to equity shareholders, before dividends, of approximately HK\$189,593,000 (2024: loss of approximately HK\$186,704,000) have been transferred to reserves. Other movements in reserves during the year are set out in the consolidated statement of changes in equity.

Directors' Report *(Continued)*

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: HK\$Nil).

DONATIONS

Donations made by the Group during the year for charitable and other purposes amounted to approximately HK\$Nil (2024: HK\$Nil).

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Group during the year or subsisted at the end of the financial year.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2025 are set out in note 22 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 30 to the financial statements.

PROPERTY

Particulars of the major property of the Group are shown on page 214 of the annual report.

Directors' Report *(Continued)*

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

	2025	2024
	%	%
Purchases		
– the largest supplier	13	10
– five largest suppliers combined	33	30
Sales		
– the largest customer	11	9
– five largest customers combined	25	20

None of the directors, their close associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest at any time during the year in the above customers or suppliers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2025 are set out in note 31 to the financial statements.

DIRECTORS

The Board during the financial year and up to the date of this report was:

Executive Directors:

Mr. Kenneth Ting Woo-shou (*Chairman and Managing Director*)

Mrs. Nancy Ting Wang Wan-sun

Mr. Ivan Ting Tien-li

Mr. Lao Wai Keung

Non-executive Director:

Mr. Bernie Ting Wai-cheung

Independent Non-executive Directors:

Mr. Andrew Yao Cho-fai

Mr. Desmond Chum Kwan-yue

Ms. Sabrina Chao Sih-ming

Mr. Daryl Liu Zhen-rong

Directors' Report *(Continued)*

The Company has received from each of its INEDs an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers its INEDs to be independent. Members of the Board clearly understand their responsibility and obligations.

Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li and Mr. Bernie Ting Wai-cheung shall retire by rotation in accordance with the Company's Bye-law 108(A), and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Chairman and Managing Director

Mr. Kenneth Ting Woo-shou, SBS, JP, aged 83, was re-appointed as the Managing Director of the Company in July 2012. He was appointed as the Chairman of the Company and resigned as the Managing Director of the Company in July 2010. He has been the Managing Director of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 1971 and was appointed as the Chairman in 1993. He resigned as an Independent Non-executive Director of Cheuk Nang (Holdings) Limited on 29 February 2024.

Mr. Ting currently serves as the Honorary President of HK Wuxi Trade Association Limited, The Federation of HK Jiangsu Community Organisation, Federation of Hong Kong Industries, The Chinese Manufacturers' Association of Hong Kong and The Toys Manufacturers' Association of Hong Kong Limited, and the Honorary Life President of the Hong Kong Plastics Manufacturers' Association Limited.

He also serves as a member of a number of other trade organisations and public committees such as The Hong Kong General Chamber of Commerce. He is Life Honorary Court Member of The Hong Kong University of Science and Technology.

Mr. Ting is a director of H.C. Ting's Holdings Limited (a substantial shareholder of the Company), which is owned as to 80% by Border Shipping Limited, a company in which Mr. Ting and Forest Crimson Limited (a substantial shareholder of the Company) have controlling interests. He is the father of Mr. Ivan Ting Tien-li, Executive Director of the Company, husband of Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and uncle of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Directors' Report *(Continued)*

Executive Directors

Mrs. Nancy Ting Wang Wan-sun, aged 78, was appointed as a Non-executive Director of the Company in January 2008, and re-designated as an Executive Director of the Company in February 2009. She has been an Executive Director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 2001. Mrs. Ting has not held any directorship in other listed public companies in the last three years. She was appointed as Trustee of the Hong Kong Children's Hospital Charitable Foundation for a three-year term from 5 November 2019 to 4 November 2022. She is the wife of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company, the mother of Mr. Ivan Ting Tien-li, Executive Director of the Company, and the auntie of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Mr. Ivan Ting Tien-li, aged 50, was appointed as an Executive Director of the Company in April 2006. He was appointed as the Managing Director of the Company in July 2010, and stepped down from that position when he was re-designated as a Non-executive Director of the Company in July 2012. He was re-designated as an Executive Director of the Company in April 2018. Mr. Ting holds a Bachelor's Degree in International Politics and Economics. He is one of the authorized representatives of the Company. He has been an Executive Director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 1998. Apart from this, he also serves as director of certain other subsidiaries of the Company. Mr. Ting was appointed as an Independent Non-executive Director of Harbour Center Development Limited in December 2018.

Mr. Ting was the Chairman of the Hong Kong Chapter of Entrepreneurs' Organization from 2006 to 2007 and its Global Board from 2016 to 2017. He was on the Hong Kong Toys Advisory Committee of the Hong Kong Trade Development Council from 2003 to 2007 and from 2010 to 2014.

Mr. Ting currently serves as an Honorary Chairman of Hong Kong Toys Council, an Honorary Chairman and a General Committee Member of the Hong Kong Exporters' Association and a President of the International Council of Toy Industries (ICTI). He is also a member of Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and permanent Chairman of Federation of Hong Kong Jiangsu Youth. He is the son of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and the cousin of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Directors' Report *(Continued)*

Mr. Lao Wai-keung, aged 61, was appointed as an Executive Director of the Company in July 2021. He joined the Group as the Financial Controller in 2011 and is currently the Chief Financial Officer and Company Secretary of the Company. He is primarily responsible for overall financial, accounting and company secretarial matters of the Group. Mr. Lao also holds various positions in a number of subsidiaries of the Company.

Prior to joining the Group, Mr. Lao had more than 20 years of experience in auditing and finance from an international audit firm and various Hong Kong listed companies.

Mr. Lao graduated from the University of London with a bachelor's degree in Economics. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a certified public accountant (practising) in Hong Kong. Mr. Lao has not held any directorship in other listed public companies in the last three years.

Non-executive Director

Mr. Bernie Ting Wai-cheung, aged 60, was appointed as a Non-executive Director of the Company in July 2010. He was appointed as a director of Kader Industrial Company Limited since July 2010. He studied Mechanical Engineering at the University of Toronto, Canada. He obtained his MBA at Worcester Polytechnic Institute in the USA. He briefly worked in a manufacturing company in Canada. He is now working at Qualidux Industrial Company Limited as the Director and General Manager. Mr. Ting has not held any directorship in other listed public companies in the last three years.

Mr. Ting is the Honorary President of Hong Kong Toys Council under the auspices of the Federations of Hong Kong Industries. He became the Vice President of International Council of Toys Industries (ICTI) in 2009 to 2015 and has become the President of Asian Committee of Toy Industries since May 2018. As part of his public duties in Hong Kong, he was the Chairman of Hong Kong Q-Mark Council from 2011 to 2021. He is the Vice Chairman of The Hong Kong Standards and Testing Centre Limited. He is the Director of Hong Kong Certification Centre Limited. He is the Vice Chairperson of "CreateSmart Initiative" Vetting Committee. Mr. Ting is the Vice President of The Hong Kong Plastics Manufacturers Association Limited. He has been appointed by the Financial Secretary of the HKSAR as member of Standing Committee on Company Law Reform since 1 February 2019. He has been appointed by the Secretary for Innovation and Technology as a member of the Accreditation Advisory Board since November 2020. On 1 January 2021, the Secretary for Commerce and Economic Development has appointed Mr. Ting as a member of the Hong Kong Export Credit Insurance Corporation Advisory Board. He contributes his spare time to community service through Rotary Club of Hong Kong South.

He is the nephew of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and the cousin of Mr. Ivan Ting Tien-li, Executive Director of the Company. Mr. Ting is a substantial shareholder of Forest Crimson Limited which is a substantial shareholder of the Company.

Directors' Report *(Continued)*

Independent Non-executive Directors

Mr. Andrew Yao Cho-fai, BBS, JP, aged 60, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Yao is the Chairman of Hong Kong Shanghai Alliance Holdings Limited (listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange")) and an Independent Non-executive Director of China Railway Signal & Communication Corporation Limited (listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange). Mr. Yao is an external director of China COSCO Shipping Corporation Limited, a holding company of certain companies listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, Singapore Exchange and Athens Stock Exchange.

Mr. Yao is currently a Member of the Legislative Council representing the Commercial (Second) Functional Constituency, the Hong Kong Deputy to the 14th National People's Congress of People's Republic of China (having also served as a Hong Kong Deputy to the 12th and 13th National People's Congress of People's Republic of China), Vice Chairman of Shanghai Overseas Friendship Association, Chairman of Federation of Hong Kong-Shanghai Associations, Vice Chairman of the Chinese General Chamber of Commerce Hong Kong, Honorary Founding Chairman of Shanghai Hong Kong Association, Chairman of the Council of Lingnan University and Board Member of Fudan University in Shanghai.

Mr. Yao was awarded "Young Industrialist Awards of Hong Kong" by Federation of Hong Kong Industries in 2004, Justice of Peace in 2008 and Bronze Bauhinia Star in 2016 by the Government of Hong Kong Special Administrative Region. Mr. Yao graduated from the University of California, Berkeley with a bachelor's degree in science and Harvard Graduate School of Business with a master's degree in business administration.

Mr. Desmond Chum Kwan-yue, aged 53, was appointed as an Independent Non-executive Director of the Company in March 2009. Mr. Chum was a portfolio manager at Claren Road Asset Management from 2008 to 2017, a company that provides financial services, and was responsible for building and managing a portfolio of regional corporate and sovereign bonds. Prior to working at Claren Road Asset Management, Mr. Chum was a Managing Director of Citigroup where he spent 12 years and helped to build its fixed income franchise in Asia. He oversaw a team of investment professionals and ran the Global Special Situations Group's investment activities in the Greater China Region. He has extensive experience in sourcing, evaluating and executing private lending, private equity and real estate investments in the Greater China Region. Mr. Chum graduated from Oxford University.

Directors' Report *(Continued)*

Ms. Sabrina Chao Sih-ming, BBS, JP, aged 51, was appointed as an Independent Non-executive Director of the Company in July 2019. She graduated from the Imperial College London in 1996. Ms. Chao is the Chairman of SeaKapital Limited and the Chairman of Charterhouse School (Asia) Limited.

Ms. Chao is a Council Member of the Vocational Training Council since November 2022. In addition to above, she is Honorary Consul of Norwegian Honorary Consulate in Hong Kong; a member of the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC) in Jiangsu Province of the People's Republic of China; Executive Vice Chairman of Federation of Jiangsu Community Organization; and Executive Vice Chairman of Wuxi Chamber of Commerce and Advisor of Wusih Residents (H.K.) Association. Ms. Chao is a board member of the Airport Authority Hong Kong (AAHK). She is presently the Chairman of External Advisory Group of the Department of Logistics and Maritime Studies in Hong Kong Polytechnic University and a Council Member of Hong Kong University of Science and Technology. Ms. Chao is also a member of the Council for Carbon Neutrality and Sustainable Development since May 2023 and a member of the Hong Kong Maritime and Port Development Board since July 2025.

Mr. Daryl Liu Zhen-rong, aged 42, was appointed as an Independent Non-executive Director of the Company in July 2023. Mr. Liu has 14 years' experience in financial markets. He is currently a director of Platinum Holdings Company Limited, a mid-sized investment banking boutique headquartered in Hong Kong with offices in Shanghai and Singapore. He is also a Responsible Officer for Access Investment Management (H.K.) Limited, a type 4 and type 9 licensed entity managing funds for institutions, corporate bodies, family offices and high net worth individuals. Prior to that, he was with the Investment Company of the People's Republic of China based in Singapore. Mr. Liu started his career in IBM as an analyst. He has not held any directorship in other listed public companies in the last three years. Mr. Liu graduated with a Bachelor of Business Management with a Double Major in Finance and Law from Singapore Management University.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting have an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

All Non-executive Director and INEDs are appointed for non-specific term and are subject to re-election upon retirement by rotation at least once every three years under the Listing Rules and the Company's Bye-laws.

Directors' Report (Continued)

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company and the Associated Corporations

As at 31 December 2025, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code under the Listing Rules were as follows:

(1) *Interests in the Company*

Name of directors	Number of ordinary shares of HK\$0.10 each				% of total issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Kenneth Ting Woo-shou	289,639,941	2,075,183 ⁽ⁱ⁾	258,963,571 ⁽ⁱⁱ⁾	550,678,695	57.93%
Mrs. Nancy Ting Wang Wan-sun	2,075,183	-	-	2,075,183	0.22%
Mr. Ivan Ting Tien-li	21,530,432	-	-	21,530,432	2.26%
Mr. Lao Wai Keung	-	-	-	-	-
Mr. Bernie Ting Wai-cheung	-	-	-	-	-
Mr. Andrew Yao Cho-fai	-	-	-	-	-
Mr. Desmond Chum Kwan-yue	-	-	-	-	-
Ms. Sabrina Chao Shi-ming	-	-	-	-	-
Mr. Daryl Liu Zhen-rong	1,200,000	-	-	1,200,000	0.13%

Notes:

- (i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.
- (ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Border Shipping Limited; and 49,292,571 shares of the Company held by Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Tyrol Investments Limited.

Directors' Report *(Continued)*

(2) *Interests in Associated Corporations*

Name of associated corporations	Beneficial interests	Class of shares	Number of shares held			% of interests in associated corporations
			Personal interests	Family interests	Corporate interests	
Allman Holdings Limited ("Allman")	Mr. Ivan Ting Tien-li	Ordinary shares of US\$1.00 each	920 ⁽ⁱ⁾	-	-	63.89%
Pacific Sky Ventures, Inc. ("PSV")	Mr. Ivan Ting Tien-li	Ordinary shares of US\$1.00 each	-	-	1,000 ⁽ⁱⁱ⁾	100.00%
Everline Associates, LLC ("Everline")	Mr. Ivan Ting Tien-li	Not applicable ⁽ⁱⁱⁱ⁾	-	-	-	62.00% ^(iv)
Everline	Mr. Kenneth Ting Woo-shou	Not applicable ⁽ⁱⁱⁱ⁾	-	-	-	13.00% ^(iv)
Snow King Properties, LLC ("SKP")	Mr. Ivan Ting Tien-li	Not applicable ^(iv)	-	-	-	62.00% ^(v)
SKP	Mr. Kenneth Ting Woo-shou	Not applicable ^(iv)	-	-	-	13.00% ^(v)

Notes:

- (i) These interests are held by Mr. Ivan Ting Tien-li.
- (ii) These interests are held by Allman. Mr. Ivan Ting Tien-li's beneficial interests in Allman are disclosed in note (i) above.
- (iii) Everline does not have issued share capital, the percentage of interest in Everline represents the interest in capital account balance.
- (iv) SKP does not have issued share capital, the percentage of interest in SKP represents the interest in capital account balance.
- (v) These interests are held by PSV. Mr. Ivan Ting Tien-li's beneficial interests in PSV are disclosed in note (ii) above.
- (vi) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 31 December 2025, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Directors' Report (Continued)

Save as disclosed above, as at 31 December 2025, none of the directors and chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS

As at 31 December 2025, substantial shareholders and other persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO were as follows:

Substantial shareholders and other persons	Number of ordinary shares of HK\$0.10 each				% of total issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Forest Crimson Limited	-	-	209,671,000 ⁽ⁱ⁾	209,671,000	22.06%
Mr. Ting Hok-shou ⁽ⁱⁱ⁾	13,800,238	571,429 ⁽ⁱⁱ⁾	39,098,281 ⁽ⁱⁱⁱ⁾	53,469,948	5.62%
Ms. Emily Tsang Wing-hin	571,429	13,800,238 ⁽ⁱⁱ⁾	39,098,281 ⁽ⁱⁱⁱ⁾	53,469,948	5.62%

Notes:

- (i) 209,671,000 shares of the Company were held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Forest Crimson Limited has a controlling interest through Border Shipping Limited.
- (ii) The spouse of the late Mr. Ting Hok-shou, Ms. Emily Tsang Wing-hin, is the beneficial shareholder.
- (iii) Included in the "Corporate Interests" above were 3,913,997 shares of the Company held by Golden Tree Investment Company Limited, in which the late Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest; and 35,184,284 shares of the Company held by Kimpont Limited, in which the late Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest through Golden Tree Investment Company Limited and Yale Investment Corporation.
- (iv) The late spouse of Ms. Emily Tsang Wing-hin is the beneficial shareholder.
- (v) Mr. Ting Hok-shou passed away on 8 September 2025. As at 31 December 2025, the executor or administrator has not been appointed in relation to the estate of the late Mr. Ting Hok-shou.

Save as disclosed above, as at 31 December 2025, the Company was not notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

Directors' Report *(Continued)*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENT POLICY

The emoluments of the directors and senior management are determined with reference to the prevailing market practice, the profitability of the Group, the directors' performance and responsibilities within the Group and contributions to the Group. The Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group subject to the Group's profitability and the individual's performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Kenneth Ting Woo-shou and Mr. Bernie Ting Wai-cheung, directors of the Company, are considered to have interests in Qualidux Industrial Company Limited ("Qualidux"), a company engaging in toy manufacturing long before the listing of the Company on the Stock Exchange, which competes or is likely to compete with the business of the Group pursuant to the Listing Rules. The average workforce of Qualidux as at 31 December 2025 was approximately 50.

As the Board of the Company is independent from the board of the abovementioned company and none of the above directors can control the Board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such company.

Directors' Report *(Continued)*

UPDATE ON DIRECTORS' INFORMATION

The change in the information of directors of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is as follows:

- 1) Mr. Andrew Yao Cho-fai, an INED of the Company, is currently a Member of the Legislative Council representing the Commercial (Second) Functional Constituency.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, the Directors and officers of the Company are entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses, which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or otherwise in relation thereto, to the extent as permitted by law. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the public float of more than 25% of the Company's issued share as required under Rule 13.32B of the Listing Rules.

AUDITORS

The financial statements for the year ended 31 December 2025 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 23 March 2026

Environmental, Social & Governance Report

Kader Holdings Company Limited (the “Company” or “Kader”) with its subsidiaries (collectively, the “Group”, “we” or “our”) are pleased to present the environmental, social and governance (“ESG”) report (the “Report”) for the period from 1 January 2025 to 31 December 2025 (“2025” or “Reporting Period”). This Report elaborates the Group’s commitments and strategies for corporate social responsibility and summarises its ESG initiatives, plans and performance in sustainable development.

REPORTING SCOPE

The reporting scope is determined based on the materiality and significance of ESG impacts on the business segments under the Group’s direct operational control. This Report covers the Group’s operations in the People’s Republic of China (the “PRC”) and Hong Kong, namely Dongguan Feng Da Electronics Company (“Feng Da”) and Kader Industrial Company Limited (“KI”). The Group will continue to assess the major ESG aspects of different businesses and extend the scope of disclosures when and where applicable.

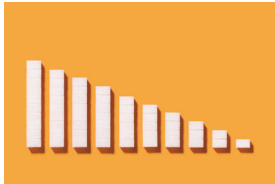
REPORTING FRAMEWORK AND PRINCIPLES

This Report has been prepared in accordance with the reporting framework and guidelines stipulated under the Environmental, Social and Governance Reporting Code (“ESG Reporting Code”) as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEx”). In preparing this Report, the Group has applied the fundamental reporting principles, including materiality, quantitative, balance and consistency.



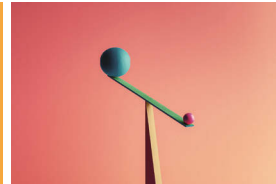
Materiality

The Group sets thresholds for determining which ESG issues are significant to our stakeholders.



Quantitative

The Group establishes targets, key performance indicators (“KPIs”) and quantitative information, whether numerical or forward-looking, to reduce impacts and allow progress monitoring.



Balance

The Group aims to present reports with objectivity and without bias. Selective or incomplete disclosure is also avoided.



Consistency

The Group utilises consistent methodologies in our ESG data collection and reporting to enable meaningful comparisons of the performance metrics across the Reporting Period.

Environmental, Social & Governance Report *(Continued)*

OUR SUSTAINABILITY APPROACH

To achieve our mission of providing excellent services, high-quality products, and fair pricing for all clients and consumers, the Group upholds six core values that guide our personnel's conduct and decisions.

Be Beneficial

- Help the Group to thrive

Be Ethical

- Do what is right for ESG

Be Fair

- Treat all stakeholders fairly

Maintain Integrity

- Honest and trustworthy

Make "A" s

- Aim to produce "A" products & services

Be Responsible

- Take up responsibility for products, actions

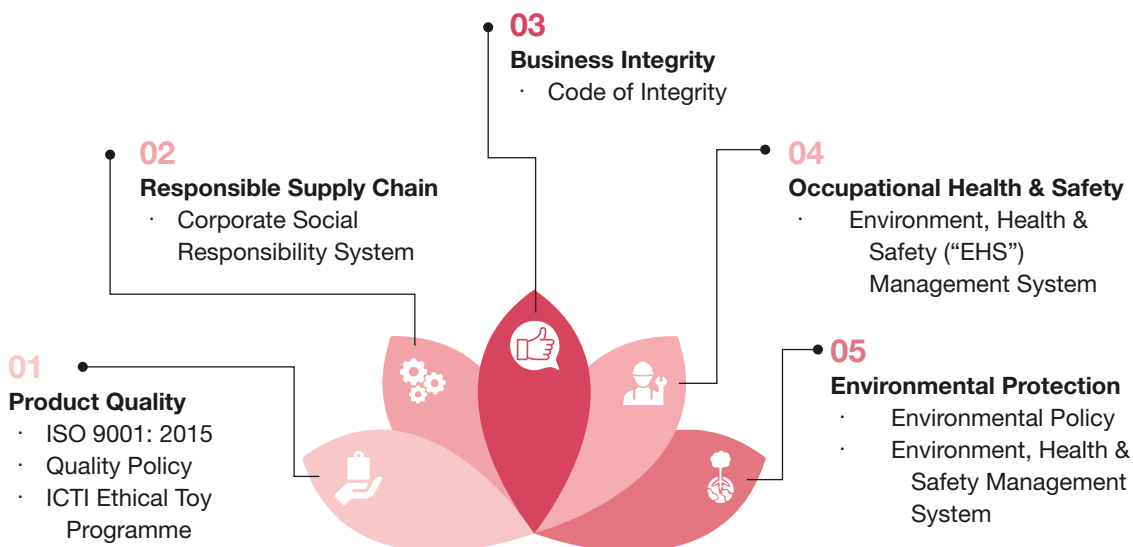
Through upholding our core values each day, we unite with a shared purpose – to understand needs, develop solutions of the highest standard, and build lasting relationships based on fairness, respect and mutual benefit. Only by keeping the highest standards internally do we enable long-term shared success with those we serve.

A comprehensive internal management system has been established to manage our ESG components, including five management approaches, product quality, responsible supply chain management, business integrity, occupational health and safety ("OHS"), and environmental protection.

To ensure the effectiveness and accuracy of our product quality, we have implemented a robust system of certifications and policies. ISO9001:2015 certification for quality management was obtained, signifying our aim to refine procedures continuously through standards-guided progress. This standard establishes requirements to streamline processes, lower expenses and advance quality consistently over time. Besides, the International Council of Toy Industries ("ICTI") Ethical Toy Programme was also obtained to reduce audit duplication and improve operational efficiency. Additionally, our Quality Policy outlines a structured framework for objectives that reinforces compliance with regulations.

Environmental, Social & Governance Report *(Continued)*

To comprehensively govern our operations, a suite of specialised policies has been instituted. Our corporate social responsibility system establishes directives for upholding integrity across the supply network. A code of conduct also makes clear expectations around lawful and principled business conduct. Additionally, an environmental, health and safety management standard formalises protocols for well-being. A Group Environmental Policy then mandates environmentally- sound practices, including the procedure for wastewater discharge, management of hazardous chemical waste disposal and waste gas emission.



Sustainability Governance

The Board of Directors

The Board of Directors (the “Board”) has ultimate responsibility for the Group’s ESG strategy and performance. It provides leadership and oversight of ESG matters, including climate-related risks and opportunities, as part of the Group’s broader strategic agenda. Through the ESG Committee, the Board assures that ESG considerations are embedded into the Group’s long-term development plans. It also guarantees the establishment and effectiveness of ESG-related risk management and internal control systems, ensuring that ESG risk factors (including climate-related elements) are assessed and integrated into key decision-making processes.

Environmental, Social & Governance Report *(Continued)*

To strengthen its oversight, the Board meets at least once a year to review sustainability performance and emerging issues. The Group also provides periodic ESG training to ensure the Board members remain up to date on key sustainability developments, including regulatory changes and market trends, so they are well-informed and equipped with the core competencies required to exercise effective oversight of climate-related risks.

As part of its ongoing focus on enhancement, the Group may explore how ESG performance could be incorporated into management remuneration frameworks and will consider the development of supporting policies where appropriate to encourage accountability and long-term value creation.

ESG Committee

The ESG Committee is responsible for overseeing the Group's sustainability agenda within daily operations. It reviews and updates key sustainability policies to ensure alignment with the Group's strategic objectives and formulates environmental action plans that support these goals. The committee monitors implementation progress, tracks performance against defined targets, and reports on both short- and long-term sustainability objectives through internal meetings held at least once a year.

In addition, the committee reviews, endorses, and reports to the Board on the Group's sustainability standards, priorities, and goals, ensuring that strategic direction is consistently maintained. It plays a central role in coordinating cross-functional efforts to embed sustainability principles throughout the organisation. The committee also monitors compliance with applicable laws and regulations across all jurisdictions in which the Group operates, particularly in relation to sustainability-related disclosures, thereby ensuring transparency and adherence to regulatory requirements.

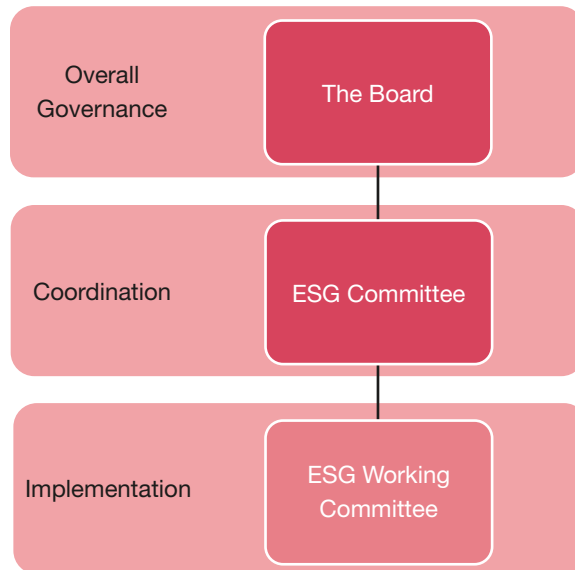
ESG Working Group

The ESG Working Group play a critical role in implementing sustainability initiatives within their respective areas of responsibility. They embed ESG considerations into operational processes, monitor compliance with relevant standards, and provide accurate data and insights to support performance evaluation. The ESG Working Group work closely with the ESG Committee to identify emerging ESG risks and opportunities and to respond promptly to critical incidents across business units. Through this collaboration, sustainability measures are effectively integrated throughout the organisation, and progress is consistently tracked and reported.

Environmental, Social & Governance Report *(Continued)*

ESG Risk Management

The Group has established a robust and forward-looking risk management framework to support prudent decision-making and strengthen stakeholder confidence in a dynamic operating environment. Overseen by the ESG Committee, internal controls and risk procedures ensure sound ESG risk governance and facilitate the proactive identification and management of emerging issues. Climate-related risks are embedded across our daily operations, strategic planning and decision-making processes, and integrated into our enterprise risk management framework. Through this structured governance approach, the Group enhances its resilience and further embeds responsible practices across its activities. For further details, please refer to the Risk Management and Internal Controls section of our Annual Report.



Environmental, Social & Governance Report *(Continued)*

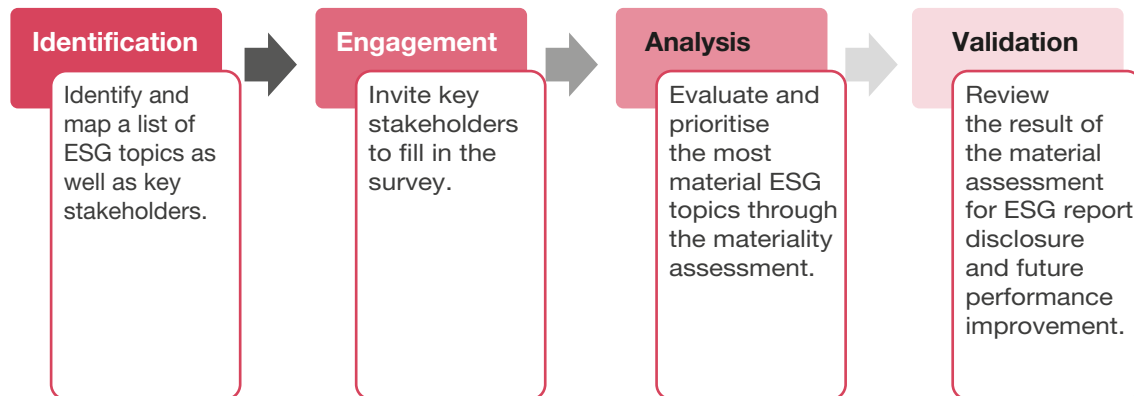
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

As meaningful engagement strengthens sustainable progress, the Group prioritises understanding stakeholders through respectful, ongoing interactions. Recognising each party's role allows us to address concerns while meeting evolving needs through collaboration. We routinely connect with the stakeholders below:

Stakeholder groups	Engagement methods
The Board, Shareholders and Investors	<ul style="list-style-type: none"> • Company website and announcement • Annual and interim reports • Regular meetings
Customers	<ul style="list-style-type: none"> • Company website • Annual and interim reports • Customer service channels
Employees	<ul style="list-style-type: none"> • Training and orientation • Intranet • Performance review • Company activities • Opinion box • Staff satisfaction survey • Department meetings
Suppliers and business partners	<ul style="list-style-type: none"> • Selection assessment • Procurement process • Supplier performance appraisal or audit • Regular communication (e.g. email, meetings, on-site visits)
Local Government and Environmental Authorities	<ul style="list-style-type: none"> • Regular meetings and site inspections • Community or environmental programmes • Regulatory reporting and compliance submissions

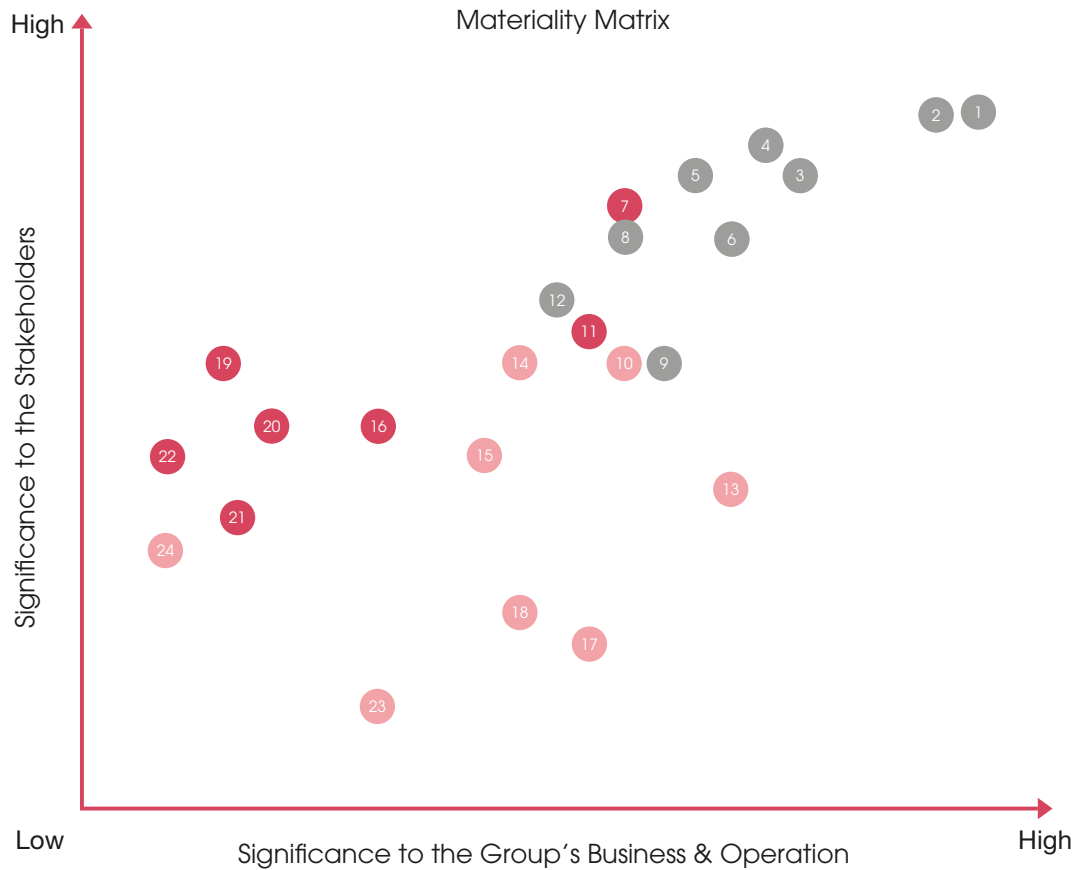
Environmental, Social & Governance Report *(Continued)*

The major ESG issues that are most important to the Group must be identified in order to set up our ESG management direction and structure. The Group has engaged an independent consultant to conduct a materiality assessment in the form of a questionnaire. The questionnaire with 24 identified ESG topics was distributed to our main stakeholder groups, including the Board, supplier, staff and consumers. Each topic was given a score based on how applicable and significant it was to the business operations and the stakeholders themselves.



Environmental, Social & Governance Report *(Continued)*

Based on the materiality of each of the ESG topics expressed by the stakeholders, the ESG topics are prioritised and shown in the materiality matrix below:



● **Environment**

- 10 Environmental compliance
- 13 Waste Management
- 14 Use of materials
- 15 Energy efficiency
- 17 Air emissions
- 18 Water and effluents
- 23 Response to climate change
- 24 Carbon footprint management of products

● **Social**

- 7 Occupational health and safety
- 11 Labour rights
- 16 Non-discrimination
- 19 Labour-management relations
- 20 Employee retention
- 21 Diversity and equal opportunity
- 22 Employee Development and Training

● **Governance**

- 1 Customer health and safety
- 2 Customer privacy and data protection
- 3 Ethical business
- 4 Responsible supply chain management
- 5 Customer satisfaction and complaint handling
- 6 Intellectual property rights
- 8 Customer service quality
- 9 Socio-economic compliance
- 12 Marketing and product/service labelling compliance

Environmental, Social & Governance Report *(Continued)*

We divided those ESG topics into three categories — high, medium, and low — in order to improve strategic planning and resource allocation. The topics that fell in the upper right corner of the matrix were defined as the topics that matter the most to the business operation of the Group and our stakeholders. Moving forward, the Group will continually acknowledge the updated expectations of our stakeholders and is dedicated to enhancing its ESG performance, governance, and policies.

Key concerns from stakeholders	Our responses	Section
Customer Health and Safety	We maintain certifications such as ISO 9001:2015 and the ICTI Ethical Toy Programme, which establish rigorous standards for product safety. Additionally, the Group emphasises transparent communication regarding health and safety practices, actively engages with customers to address concerns, and continually monitors and improves its processes to ensure the highest safety standards are met.	Product Responsibility
Customer Privacy and Data Protection	We prioritise stringent privacy and confidentiality for clients, staff, and partners. Key measures include requiring staff to sign a declaration against unauthorised data access, implementing a robust document management system, outlining privacy policies in the Employee Handbook, and providing regular training on privacy matters. The Group maintained full compliance with applicable laws, including the Personal Data (Privacy) Ordinance and the Copyright Ordinance in Hong Kong.	Stakeholder Privacy and Intellectual Property Rights Protection
Ethical Business	We strive to continually strengthen our operation with integrity and respect. We have robust whistleblowing procedures to protect the confidentiality of any good faith reports, and prompt actions will be taken in any suspected cases.	Business Conduct
Responsible Supply Chain Management	We implement responsible sourcing through a CSR-based procurement system, requiring all new suppliers to pass qualification checks. ESG expectations aligned with the Responsible Business Alliance Code of conduct cover labour rights, OHS, environmental protection, and business ethics. We conduct annual supplier evaluations and onsite inspections, with corrective actions required and disqualification for persistent non-compliance.	Supply Chain Management
Customer Satisfaction and Complaint Handling	We collect customer feedback through surveys, seminars, interviews, and direct communication with our sales team. All feedback is reviewed in accordance with our Customer Complaint Handling Procedure, ensuring thorough investigation, communication of solutions, and timely corrective actions to prevent recurrence.	Product Responsibility

Environmental, Social & Governance Report *(Continued)*

A RESPONSIBLE EMPLOYER

The satisfaction and success of our people lie at the heart of the Group's process. We aim for a supportive culture where employees feel empowered in a healthy, safe working environment. By championing a people-centred company, it is our top priority to invest in developing every staff potential through training and development plans. To enhance employment management, we also continually provide opportunities for our workforce to thrive and contribute their best to work.

Throughout the Reporting Period, the Group was not subject to any non-compliance in the key human resources ("HR") domain. Laws and regulations related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, and child and forced labour were all adhered to as per applicable regulations.

Employment Practices

Fair employment is the centre of our human employment process. We uphold four employment guiding principles: open recruitment, equitable competition, strict scrutiny, and meritocracy.

Through our Employee Handbook and Code of Conduct, we foster a respectful and non-discriminated workplace culture, where each employee's diversity is valued equally. We have outlined strong guidelines on anti-discrimination and the actions to take against discrimination and harassment. All employment-related decisions, including recruitment, development, promotion, compensation, and termination of employees, must be determined solely based on work-related factors such as qualification, performance and abilities. Personal attributes unrelated to job duties will not affect the outcome to ensure the employment's fairness.



Environmental, Social & Governance Report *(Continued)*

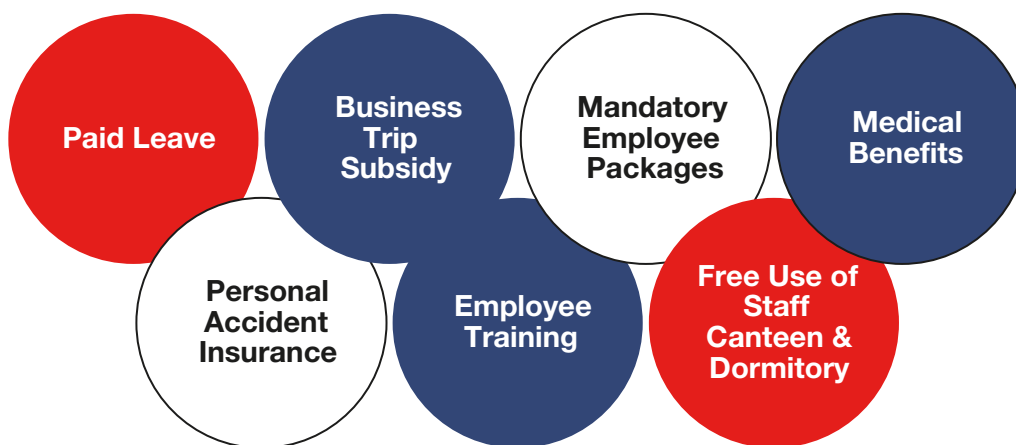
The HR team plays a key role in implementing objective evaluation methods. For example, requiring scorecards and structured interviews help assess candidates based purely on merits. Unconscious bias training, especially for those directly involved in selection and promotion decisions, can also help reduce prejudices.

As at 31 December 2025, the Group employed a total of 391 (2024: 532) full-time employees and 0 (2024: 1) part-time employee. Please refer to the “Performance Data Summary” for the details of our workforce demographic and turnover rates.

Guided by relevant employment laws and standards, we have formulated our Employment Policy and Employee Handbook centred around fair treatment and opportunity for our people and with reference to the local regulations, including but not limited to the PRC Labour Law and the PRC Labour Contract Law. Various processes and rules address topics like recruitment, working and leave, rest period, attendance, performance appraisal and promotion, termination, workplace discipline, and other employee benefits and welfare. In addition, we have implemented robust safeguards against any exploitation in our operation including child labour and all forms of involuntary employment.

To ensure integrity in the hiring process and prevent potential fraud, the Hong Kong and the PRC HR team undertake rigorous screening procedures for all prospective employees. These include performing background checks which require self-declarations. Maintaining the highest standards of honesty and propriety both in recruiting new talents as well as monitoring current staff is a top priority.

We strive to recruit and retain top talent through attractive compensation packages while maintaining a caring and flexible culture. Our compensation package aims to attract skilled individuals while empowering them to maintain a well work-life balance. This balanced, people-centric approach can optimise motivation and productivity company-wide while maintaining a high-satisfaction workforce. Aside from paid annual breaks and statutory holidays, we provide several benefits for our employees.



Environmental, Social & Governance Report *(Continued)*

We provide a comprehensive leave programme for employees, including sick leave, marriage leave, paternity leave, maternity leave, and jury duty leave to all our staff.

Additional benefits were also offered to enhance quality of life and productivity. Besides the free use of the staff canteen, a monthly meal allowance was also provided for our staff to aid in nutrition. Business trips are also subsidised to support staff in effectively fulfilling duties away from the office through a positive experience.

Child and Forced Labour

In alignment with the International Labour Organisation (ILO) Convention 29¹, we firmly prohibit all forms of forced or compulsory labour and recognise such practices as serious violations of human rights. Our commitment to ethical operations drives us to address these critical societal issues proactively. We maintain a zero-tolerance policy toward any instances of child labour or compulsory labour, ensuring that human rights are respected throughout our operations.

Our Recruiting Guidelines ensure that all candidates are treated with respect, safeguarding their rights throughout the hiring process. Prior to onboarding and during their tenure in the office, each employee is provided with comprehensive information about their rights. We promote a culture of openness, encouraging workers to report any instances of coercion or unfair treatment—whether experienced personally or observed—either verbally or in writing to the appropriate department head. We are committed to taking necessary disciplinary measures in response to verified reports.

To prevent child labour, we have established Recruiting Guidelines and an Anti-Discrimination Management Policy for our HR staff. Our procedures include comprehensive identification and background checks for all job applicants to ensure they meet the legal working age. Identification verification is conducted randomly across our locations, including our Hong Kong office and factories in the PRC, to consistently validate the ages of all workers.

In accordance with local laws, the minimum working age is 15 in Hong Kong and 16 in the PRC. Should any worker be found below these legal age thresholds, immediate corrective actions will be taken. Relevant personnel are required to adhere strictly to the Child & Juvenile Worker Protection Procedure, which includes prompt rectification measures such as sending underage workers home and providing necessary medical and educational support until they reach the legal working age.

¹ International Labour Organization_Co29-Forced Labour Convention (No.29) <https://www.ohchr.org/en/instruments-mechanisms/instruments/forced-labour-convention-1930-no-29>.

Environmental, Social & Governance Report *(Continued)*

To prevent forced labour, we have established a robust internal policy prohibiting forced labour, which includes strict controls on working hours and holiday entitlements. We are committed to upholding the highest standards of ethical labour practices. In the event that any violations are discovered, we will take immediate and appropriate action to address the situation and ensure compliance with our policies. This proactive approach reflects our unwavering commitment to safeguarding the rights and dignity of all workers within our operations.

Our compliance department is dedicated to maintaining the highest standards of ethical conduct. They actively monitor workplace conditions and investigate any reported concerns to prevent non-compliance. Regular audits are conducted to identify and address potential lapses before they escalate into issues. Compliance also ensures that the Group's policies and procedures align with relevant regulations, including the Employment Ordinance and Employment of Children Regulations in Hong Kong, as well as the Labour Law in the PRC.

We extend our commitment to human rights beyond our direct operations to encompass our entire supply chain. Suppliers are required to adhere to the Group's anti-child and forced labour policies. In the event of any incidents of non-compliance, immediate corrective actions must be implemented. If there is no demonstrable improvement, we will terminate the business partnership to uphold our zero-tolerance stance on child and forced labour.

Staff Development

The Group recognises that the professional competence and personal development of our workers are essential to our success. We are committed to fostering continuous skill development and unlocking each employee's full potential. Consequently, talent cultivation is a strategic priority, supported by a structured approach that promotes a culture of lifelong learning.

Environmental, Social & Governance Report *(Continued)*

Our annual training plans are designed with careful consideration of organisational goals, departmental needs, job requirements, and individual growth opportunities. Internal training programs are tailored to meet the distinct needs of both new hires and existing employees. For current staff, on-the-job development focuses on enhancing technical skills as defined by management. The new employee orientation introduces internal standards and workplace conditions. Trainees are required to complete evaluation forms to provide feedback on the effectiveness of trainers and the relevance of the training materials. We analyse program outcomes to inform ongoing improvements, ensuring that our training initiatives remain impactful and aligned with our strategic objectives.

New Staff Orientation



- Company Overview
- Staff Responsibilities
- EHS Training
- Kader's Requirement on Environmental Protection, Product Quality etc.
- Mentoring Program

On-the-Job Training



- Personal Competencies
- Management Skills
- Legal Requirement Updates
- Customers Requirements and Industry Wide Standards (e.g. ISO requirements)

Employees are encouraged to participate in external training and short courses alongside our internal programmes, enhancing their competencies and keeping abreast knowledge of industry trends. The Group also provide subsidies to eligible candidates enrolled in institutional training and short external courses, provided their attendance meets expectations.

We have cultivated a culture that values equal opportunities and promotes mutual advancement through merit-based recognition. Employees who take on higher-level responsibilities and make significant contributions are rewarded with promotions, training opportunities, and performance bonuses. Continuous skills assessments and annual reviews conducted by direct managers or supervisors to identify training needs and support personal development planning. Performance discussions during yearly reviews enable staff to articulate their career goals, training needs, and any challenges they face. Based on these assessments and performance reviews, management provides feedback to pinpoint competency gaps and inform tailored programming at the team level. This guidance, coaching and oversight foster individual growth and enhance overall team effectiveness.

Environmental, Social & Governance Report *(Continued)*

In 2025, we arranged a total of 138.50 (2024: 383.50) hours of training covering topics related to ISO requirements, ICTI-related information, updated content of the Employee Handbook, and leadership enhancement to our employees. Please refer to the “Performance Data Summary” for the details of the percentage of employees trained and the average training hours completed per employee.

Relationship with Employees

Effective communication is key to fostering understanding, collaboration and business success. In Kader, a two-way dialogue between management and employees is facilitated through diverse channels. This includes an open opinion box, staff satisfaction surveys, performance reviews, department meetings and various training opportunities. Regular company events also allow for interactive engagement.

Occupational Health and Safety

At the Group, our guiding principle of “Safety First, Prevention First” shapes our proactive approach to OHS. We prioritise the identification of potential hazards and the implementation of preventive measures, ensuring that we address risks before they escalate into incidents. This forward-thinking strategy reflects our commitment to creating a safe and healthy work environment for all employees.

Given our operations in Hong Kong, we are fully committed to adhering to the region’s health and safety regulations. With a prevention-focused mindset and robust governance system, we strive to safeguard the well-being of our employees across locations. Ongoing training and regular risk assessments empower us to proactively strengthen our defences against both existing and emerging risks, ensuring a safe and healthy work environment for everyone.

In addition to our manufacturing business in the PRC, we recognise our responsibility to comply with relevant laws and regulations regarding workplace safety in the PRC. We have established an effective OHS management system that aligns with the Law of the PRC on Prevention and Control of Occupational Diseases, and the Production Safety Law of the PRC. The EHS Committee is tasked with ensuring the proper implementation and effectiveness of our newly adopted production facility model and related policies across all factories.

Central to their remit is monitoring each facility’s safety targets and objectives. They conduct monthly inspections across all factories and hold EHS committee meetings every two months to review internal audit findings and facilitate communication. Through these efforts, we aim to significantly reduce workplace hazards and enhance protection for the modern workforce. The commitment demonstrated by our EHS Committee underscores our dedication to prioritising employee well-being.

Environmental, Social & Governance Report *(Continued)*

Our OHS management system is structured around five components: hazard identification, prevention & control, safety inspection & performance monitoring, emergency preparedness, incidents investigation & corrective actions, and safety training & education. We have established regulations and standard operating procedures that address crucial areas, including fire safety, hazardous waste management, occupational noise nuisance, chemical usage, and personal protective equipment (“PPE”) management. This comprehensive approach ensures that we are well equipped to maintain a safe and healthy workplace for all employees.



Environmental, Social & Governance Report *(Continued)*

Hazards Identification, Prevention & Control

- Our Administrative Department is responsible for the identification and assessment of hazardous energy sources, while the Electrical and Mechanical Department manages and implements the corresponding control measures
- The EHS Committee arranges monthly hazard assessments with relevant departments for all new production processes, types of machinery and substances before the adoption
- All production units are required to provide suitable PPE to employees based on their job natures

Safety Inspection & Performance Monitoring

- Our Safety Officer carries out monthly inspections in the factories to check the implementation of safety measures and workplace conditions
- The EHS Committee holds bi-monthly EHS meetings to review inspection results and the progress of corrective actions

Emergency Preparedness

- Emergency contingency plans are in place for events such as fire outbreaks, chemical leakage, and different natural disasters
- Emergency drills, such as fire drills and counter-terrorism exercises, are organised at least twice a year to prepare our staff for urgent situations

Incidents Investigation & Corrective Actions

- We encourage employees to report any unsafe behaviours observed or incidents to the EHS Committee for further investigation
- All reported cases will be investigated and analysed by the Safety Officer before reporting to our Executive Manager
- Corrective actions will be taken to rectify the reported issues as well as prevent recurrence in the future

Safety Training & Education

- All new joiners must attend and pass the three levels (i.e. factory, department, and position levels) safety training before commencement of their work
- Refresh training with post-training quizzes on various safety topics, such as machinery operation, fire safety, industrial safety, counterterrorism, use of PPE, and emergency management, is provided to all levels of staff on an annual basis
- All external service providers are required to attend and pass the safety training provided by our Safety Officer before performing their work within the Group's premises
- A weekly campaign is organised every year to promote the Law of the PRC on the Prevention and Control of Occupational Disease to raise the awareness of employees
- Safety posters and reminders are displayed in the workplace to remind our staff of safe production

Environmental, Social & Governance Report *(Continued)*

We have developed comprehensive office condition management recommendations to ensure that our office personnel can work comfortably and avoid occupational disorders related to poor posture and computer settings. We have also established regular working hours and actively discouraged unnecessary overtime to promote a healthy work-life balance. This initiative reflects our commitment to fostering a supportive and sustainable work environment for all employees.

In 2025, the Group reported a total of 4 work-related incidents. Below are the detailed health and safety statistics.

	2025	2024	2023
Number of lost days due to work-related injuries	208	725	379
Number of work-related fatalities	0	0	0

In 2025, the Group was not aware of any material non-compliance with laws and regulations related to providing a safe working environment and protecting employees from occupational hazards in Hong Kong and the PRC.

A RESPONSIBLE PRODUCER

Business Conduct

Upholding the highest standards of business integrity is our Group's top priority. To foster an ethical culture, we have established the Employee Handbook and a Code of Integrity, providing clear guidelines for staff behaviour as responsible business partners. We maintain a zero-tolerance policy toward all forms of bribery, fraud, money laundering, and other unethical practices. Employees are prohibited from soliciting or accepting gifts, rewards, or improper favours from others to ensure objectivity.

New employees receive comprehensive training in our internal anti-corruption policies, and all employees are required to sign the Code of Integrity, affirming their commitment to high ethical standards. These principles extend to our suppliers and business partners, with non-compliance subject with disciplinary actions or legal consequences.

To further strengthen integrity across our operations, the Group has implemented a Whistleblowing System that includes clear reporting channels and protocols for confidentially reporting suspicious activities. Employees are encouraged to disclose any questionable incidents directly to management or to the administrative office to ensure timely and appropriate follow-up. Individuals found responsible for business misconduct will face consequences in accordance with our policies, which may include termination of employment. We also reserve the right to pursue appropriate legal action when necessary.

To protect who comes forward, we prioritise anonymity; the identity of whistleblowers and the details of reported incidents will be fully kept confidential possible.

Environmental, Social & Governance Report *(Continued)*

In 2025, we were not subject to any non-compliance with laws and regulations related to bribery, extortion, fraud, and money laundering, including but not limited to the Anti-money Laundering Law and the Criminal Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong. Additionally, there were no legal cases concerning corrupt practices brought against the Group or our employees. This reflects our ongoing commitment to strengthening governance and compliance within our organisation.

Stakeholder Privacy and Intellectual Property Rights Protection

Upholding stringent privacy is our top priority, and the Group recognises the importance of confidentiality for our clients, staff members, and business partners. To safeguard the personal information of all stakeholders, we have implemented robust measures across our operation in accordance with our internal privacy rules:

- All staff are required to sign a declaration letter affirming their commitment to utilising systems legally and prohibiting unauthorised access or use of data to prevent data leakage;
- Implemented a rigorous document and record management system to ensure all sensitive stakeholder information remains confidential and protected;
- Our Employee Handbook clearly outlines privacy policies that prohibit unauthorised access to and use of customer data; and
- Provide regular training for our employees on privacy matters to reinforce the importance of safeguarding personal information.

The Group emphasises preservation of the creator's intellectual property ("IP") is as important to us as the privacy of our stakeholders. As outlined in the Intellectual Property Handbook, employees must safeguard and respect the IP rights of both internal and external parties. Any trademarks, copyrights, patents, or other IP, whether owned by the Group or third parties, require proper authorisation before use. An IP Manager oversees relevant training for employees at all levels to foster an understanding of privacy and IP protection and monitors departmental performance. Departments are held accountable, and any employees who violate or disregard the Group's internal policies on privacy and intellectual property protection will face termination.

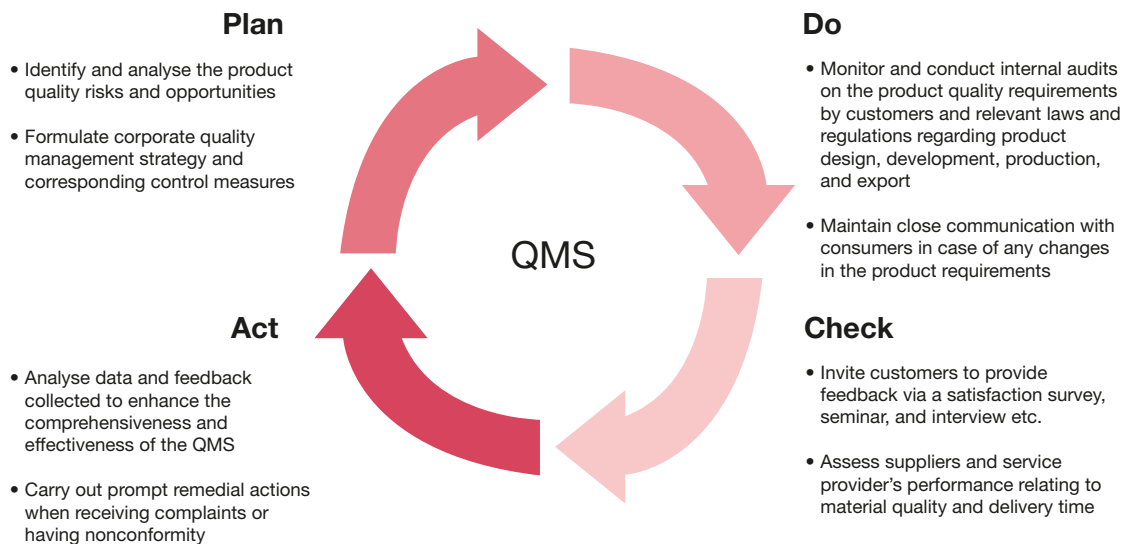
In 2025, the Group was not subject to any non-compliance regarding applicable laws and regulations, including but not limited to the Personal Data (Privacy) Ordinance and the Copyright Ordinance in Hong Kong, and the Patent Law of the PRC.

Environmental, Social & Governance Report *(Continued)*

Product Responsibility

The Group is committed to fostering strong client loyalty through our dedication to high-quality products and timely delivery. We recognise that client satisfaction is vital to our business success and prioritise this critical differentiator. To systematically manage and standardise our processes, we established a Quality Management System (“QMS”) certified under ISO 9001:2015.

Our QMS integrates a continuous improvement approach, utilising the Plan-Do-Check-Act cycle, and is further supported by the Quality Handbook, which guides teams in identifying, mitigating, and resolving quality management risks. We conduct annual evaluations of the entire system to ensure compliance with industry and regulations, while also identifying opportunities to enhance our service quality for clients.



Our Quality Assurance Manager, in collaboration with production unit managers, conducts comprehensive product safety risk assessments for all raw materials, semi-finished materials and manufacturing processes. This proactive approach is designed to prevent human error and ensure the highest standards of product safety.

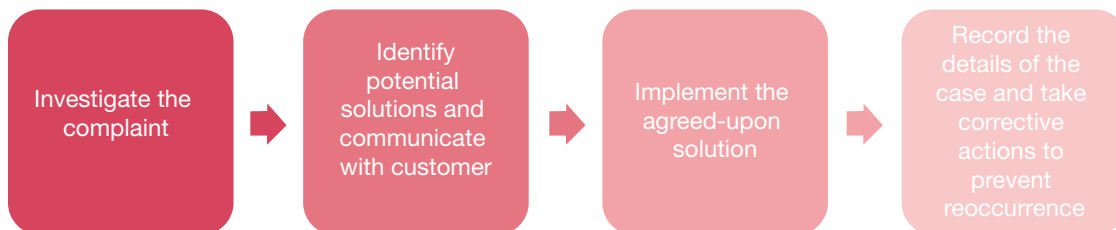
Environmental, Social & Governance Report *(Continued)*

To effectively identify risks, corresponding control mechanisms are put in place, such as requiring a valid material analysis report from the suppliers. In the event that severe health and safety hazard is identified, we will immediately cease production and initiate a recall of all disseminated items in accordance with our Product Recall Procedure. The Quality Assurance Department will then undertake a thorough investigation to identify the root causes and implement corrective and prevention measures, ensuring that any potential issues are addressed and mitigated to uphold the safety and well-being of our stakeholders.

Our approach to marketing, sales, and client support services also demonstrates our dedication to Corporate Social Responsibility (“CSR”) and quality management. The Product Labelling and Traceability Control Process serves as our framework for ensuring product accuracy, fairness and adherence to the highest standards. Following this process, our clients receive comprehensive guidance material on proper use of products, aimed at preventing issues related to misuse.

In 2025, there were no product recalls due to safety or health concerns. Additionally, the Group was not subject to any non-compliance with laws and regulations related to health and safety, advertising, and labelling of products and services in Hong Kong and the PRC.

We welcome all stakeholders to share their thoughts and recommendations on our products and services through various channels, including our annual customer satisfaction survey, seminars, interviews, and direct contact with our sales personnel. All recommendations will be carefully considered in accordance with our Customer Complaint Handling Procedure, managed by the Quality Assurance Department and sales representatives. This ensures all feedback is thoroughly investigated and that an appropriate corrective action report is prepared to address any issues related to customer dissatisfaction. In 2025, there were no records of complaints received regarding our products and services.



Environmental, Social & Governance Report *(Continued)*

Supply Chain Management

The Group is committed to upholding responsibility throughout our supply chain by adhering to our CSR system. Our Purchasing Procedure outlines the processes and requirements for acquiring direct and indirect materials, as well as the purchasing team's responsibilities in facilitating compliance with our CSR standards. All prospective suppliers must undergo a thorough evaluation, which includes a quality survey, compliance documentation review, and submission of testing results or reference samples, in accordance with our Vendor Qualification and Vendor Control Process.

We have established ESG-related standards for labour, health and safety, environmental protection, and ethics for our suppliers, based on the Responsible Business Alliance Code of Conduct. Only vendors that meet our criteria are eligible for inclusion on our Approved Vendor List. Suppliers are required to sign a contract that ensures their full understanding of our expectations regarding labour rights, OHS, environmental protection, and corporate ethics.

The Vendor Qualification Team conducts annual performance evaluations, and onsite quality inspections may be carried out as necessary. Any non-conformances will prompt appropriate corrective actions, and failure to improve may result in disqualification and removal from the Approved Vendor List. Through open communication and accountability, we aim to continuously strengthen practices across our supply chain.

In 2025, the Group collaborated with 89 (2024: 101) suppliers, of which 25 was from Hong Kong, 57 from the PRC, and 7 from other locations, all suppliers are subjected to regular monitoring and assessment by relevant personnel.

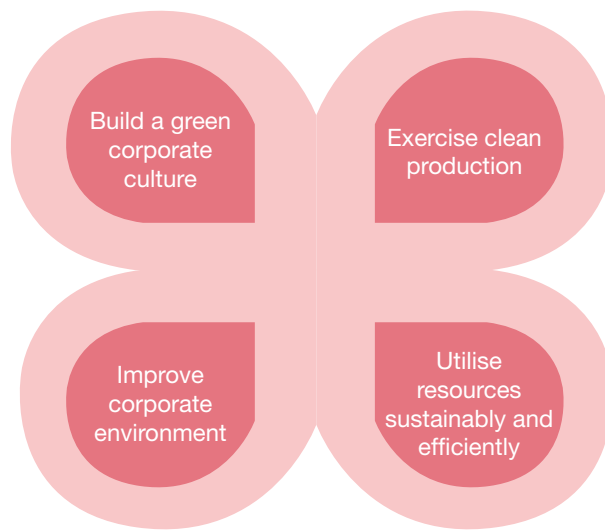
Community Involvement

At the heart of our Group's mission is a commitment to enhancing community well-being. We actively seek opportunities to create a positive impact in the regions where we operate, adhering to the principles of social responsibility. The Group will also consider exploring a more structured approach to community investment as part of its ongoing review of social initiatives. We empower our employees to engage in volunteer activities, encouraging them to share their time and skills for initiatives that benefit our communities. In 2025, the Group did not engage in community investments as its focus was directed towards addressing operational challenges and aligning strategic priorities to ensure sustainable business growth. Moving forward, the Group will actively prioritise initiatives such as volunteer programs aimed at improving the living conditions of elderly individuals living alone.

Environmental, Social & Governance Report *(Continued)*

ENVIRONMENTAL SUSTAINABILITY

The Group is dedicated to sustainable and responsible business practices, having implemented a comprehensive EHS Management System that aligns with four key environmental objectives. This system is designed to effectively manage our environmental footprint. We have established environmental policies focused on resource management, workplace safety, and emission control, all in accordance with industry's best practices, client expectations, and relevant legal requirements.



The EHS Committee is composed of representatives from various sectors of our business, including the Operations Manager, Safety Specialists, Engineers etc. Our EHS Manager leads bimonthly meetings to examine the Group's environmental performance and conducts monthly inspections to ensure effective implementation of our EHS Management System across all plants. Frontline employees actively participate in these meetings, fostering a collaborative approach to environmental stewardship.

To further enhance our environmental performance, we have established four emission reduction targets centred on KPIs related to greenhouse gas ("GHG") emissions, waste generation, and the consumption of energy and water. The ESG Committee evaluates progress towards these targets at least once a year and provides updates to the Board, ensuring accountability and transparency in our sustainability efforts.

Environmental, Social & Governance Report *(Continued)*

Environmental Targets 2021 – 2025

GHG Emissions

Target

Progresses

- Limit transportation needs between internal facilities within the factory area by reducing unnecessary trips

Achieving a 5% reduction in GHG emissions intensity by the year 2025, using 2021 as the baseline

Achieved; driven by the Group's ongoing investments in energy-efficient technologies and the optimisation of operational processes, we successfully achieved substantial emissions reductions. The Group's total GHG emissions and emission intensity in 2025 fell significantly by 39% and 20%, respectively, compared with 2021.

Looking forward, to align more closely with the updated requirements of Part D of the HKEx ESG Reporting Code regarding the setting of GHG emission targets, the Group has established new carbon emission targets during this Reporting Period with reference to the Practical Net-Zero Guide for Business by HKEx. For details, please refer to the section "GHG Emissions Targets".

Environmental, Social & Governance Report *(Continued)*

Environmental Targets 2021 – 2025

Use of Energy	Target	Progresses
<ul style="list-style-type: none"> • Provide training in energy management • Replace the explosion-proof tube light with LED or T8 tube light in all operation areas, and reduce the overall usage • Keep all equipment well-maintained • Reduce the use of high-energy consumption machinery • Change the electrical lighting circuit system from series to parallel in all operation areas • Turn off air conditioners when the temperature is below 26°C 	<p>Achieve a 5% reduction in energy consumption by the year 2025, using 2021 as the baseline</p>	<p>Achieved; the Group's energy consumption in 2025 decreased significantly by 20% compared with 2021.</p> <p>Looking ahead, the Group will recalibrate its energy consumption target, aiming to achieve a 5% reduction in energy use by 2030, with 2025 designated as the baseline year.</p>

Waste Generation

Waste Generation	Target	Progresses
<p>Canteen:</p> <ul style="list-style-type: none"> • Encourage reducing the use of disposable tableware and ultimately eliminate all • Limit single-use plastic water bottles by providing drinking water • Promote reduction of food waste <p>Reducing Paper Consumption:</p> <ul style="list-style-type: none"> • Promote paper saving among employees • Reduce the use of paper by adopting electronic data processing • Print on both sides of the paper for day-to-day document 	<p>Achieve a 5% reduction in hazardous waste intensity by the year 2025, using 2021 as the baseline</p>	<p>Achieved; the Group has successfully reduced hazardous waste intensity by approximately 52% from 2021 to 2025.</p> <p>Looking ahead, the Group will recalibrate its hazardous waste target, aiming to achieve a 5% reduction in total hazardous waste generated by 2030, with 2025 designated as the baseline year.</p>

Environmental, Social & Governance Report *(Continued)*

Environmental Targets 2021 – 2025

Use of Water	Target	Progresses
<ul style="list-style-type: none"> • Provide training to our staff on water efficiency • Monitor the water consumption usage monthly and repair the damaged water pipes to prevent water leakage • Provide maintenance to the main pipeline of the water supply • Replace all taps in the factory with water-efficient taps and use devices with water-efficient labels • Reduce the number of water taps in the operation area of the factory • Remove all unnecessary water taps and pipes in the toilets • Provide water-saving equipment in the factory 	<p>Achieve a 5% reduction in water consumption intensity by the year 2025, using 2021 as the baseline</p>	<p>Achieved; the Group has successfully reduced water consumption intensity by approximately 42% from 2021 to 2025.</p> <p>Looking ahead, the Group will recalibrate its water consumption target, aiming to achieve a 5% reduction in water use by 2030, with 2025 designated as the baseline year.</p>

In 2025, we were not aware of any non-compliance with laws and regulations relating to air and GHG emissions, discharges into water and land, generation of waste and use of resources in Hong Kong and the PRC.

Air Emissions Control

The Group is fully committed to complying with all applicable rules and regulations across all operations, this ensures all production processes are carried out with legal permission and endorsements from regional authorities.

The Group's air emissions from business operations primarily consist of nitrogen oxides (NOx), sulphur oxides (SOx), particulate matter (PM), xylene and toluene, which are generated by the use of the Group's vehicles, cooking stoves in the employee cafeteria and operational areas. In 2025, the Group's NOx, SOx, PM, xylene and toluene were 4.44 kg, 0.14 kg, 0.28 kg, 1.06 kg, and 1.06 kg, respectively. Please refer to the section headed "Performance Data Summary" for the Group's detailed performance. The Group recorded an overall decline in air emissions during the Reporting Period compared with 2024. This reduction was primarily driven by the significant decrease in sales during the Reporting Period, which led to a corresponding drop in operational activities and vehicle usage, resulting in substantially lower air emissions.

Environmental, Social & Governance Report *(Continued)*

Our comprehensive Exhaust Gas Pollution Control Process is designed to systematically manage these emissions, this protocol outlines detailed standard operation procedures for daily practice, facility and pipeline maintenance, and meticulous record-keeping of emission testing results. For instance, effluent pipelines are routinely monitored to promptly identify and stop any air pollution leaks, ensuring a proactive approach to minimising our environmental impact and safeguarding air quality.

Waste Management

In addition to reducing the Group's environmental impact, a good waste management system can increase resource efficiency through various measures. For instance, the segregation of waste into waste types, categories like paper, e-waste etc. to improve recycling. A good system also keeps track of waste amounts by weighing and recording all waste disposed of and recycled to track diversion rates and identify improvement areas. Adhering to proper hazardous waste disposal rules is also important, including rules for the safe disposal of chemicals, batteries, light bulbs, and fluorescent tubes through trained handlers.

The Group has designed the Waste Management Procedure to guide on handling trash responsibly generated through our routine operations. For example, before being handled further, all waste must first be separated based on its nature (i.e., hazardous and non-hazardous). For each form of waste, several collection, storage, transfer, and disposal procedures have been devised and are covered in the subsections below.

Hazardous Waste

Recognising the significant environmental and resource challenges posed by hazardous waste, the Group prioritises responsible management. We have established designated storage areas that comply with all relevant legislative criteria, ensuring the safe containment of hazardous materials.

We manage various types of hazardous waste, including waste paint cans, waste organic solvents, oil rags, waste paint, waste active carbon, and waste thinner, and transporting them from generation points in appropriately labelled containers designed for each specific material. This careful preparation ensures safe collection and handling by trained service providers, reinforcing our commitment to responsible waste management practices.

To ensure all collected hazardous waste is handled properly and legally by appropriate service providers, the contracts signed with the hazardous waste handling service providers are carefully formulated in accordance with the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, and the Regulations of Guangdong Province on the Prevention and Control of Environmental Pollution by Solid Waste. This ensures all collected hazardous materials are processed legally and properly through qualified disposal routes.

Environmental, Social & Governance Report *(Continued)*

In 2025, the Group generated 1.40 tonnes of hazardous waste, remaining consistent with 2024 performance. We are committed to exploring further improvements in our waste management practices to enhance our sustainability efforts and reduce our environmental impact.

Non-hazardous Waste

To minimise landfill disposal, we employ a systematic approach to separating all non-hazardous waste into recyclables and non-recyclables. Our employees are encouraged to reuse items like paper whenever possible to maximise resource efficiency. Recyclables, such as wastepaper, waste plastic pots, and waste plastic pallets, are collected in clearly labelled containers in designated areas, ensuring compliance with regulatory standards before being picked up by licensed recycling service providers.

In 2025, the Group's generated 2.22 tonnes of non-hazardous waste, reflecting a decrease compared with 2024. This reduction was primarily attributable to the decline in the Group's sales, which resulted in a corresponding decrease in non-hazardous waste generation.

Energy Efficiency

To expedite the transition to a low-carbon economy, the Group is firmly committed to advancing energy efficiency within its operations. Our Energy Efficiency and GHG Emissions Control Plan outlines the strategy for managing energy use and associated emissions. Meeting pertinent targets requires diligent oversight of energy consumption by all departments.

The following guidelines have been established to support our sustainability efforts:

Electricity

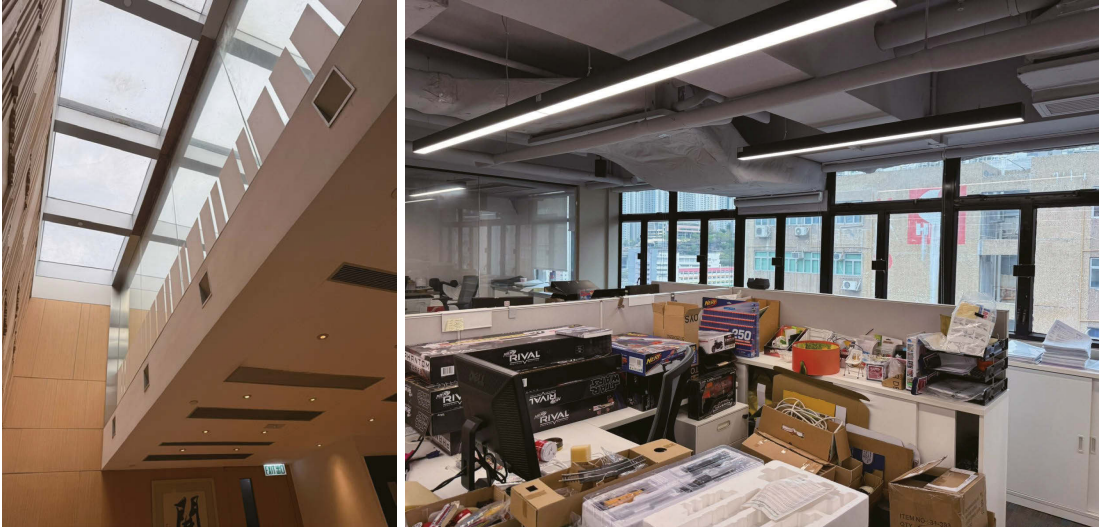
- Replace conventional light bulbs/tubes with LED lighting
- Replace electricity-intensive types of machinery and electronic appliances with high electricity - efficiency ones
- Install meters in each dormitory room and workshop to monitor the electricity consumption pattern
- Utilise natural light when possible
- Acquired electric vehicle to replace diesel vehicle

Towngas & Vehicle Fuels

- Conduct regular inspections of company vehicles and gas pipelines to prevent leakage
- Provide maintenance to company vehicles and air compressors to increase vehicle fuels and town gas efficiency

Environmental, Social & Governance Report *(Continued)*

Individual action complements company initiative, employees are encouraged to adopt daily energy-saving habits when possible. For example, workers should utilise natural light whenever possible and promptly turn off the lights and equipment upon leaving workplaces.



Kader incorporated the use of natural light as a design consideration during the renovation process to reduce electricity consumption in the workplace

Raising awareness across our workforce is vital. To this end, employees receive training on the finest green practices to increase comprehension of these imperative issues. Regular updates are also provided on Group energy targets, along with reporting protocols and reduction methodologies. This ensures company-wide alignment around our low-carbon objective.

The Group's direct energy consumption mainly comes from gasoline used by company vehicles, with indirect consumption from purchased electricity and town gas for the employee cafeteria. In 2025, energy consumption decreased approximately 6.85% compared with 2024. This reduction was primarily attributable to the decline in the Group's sales, which resulted in a corresponding decrease in energy consumption.

Environmental, Social & Governance Report *(Continued)*

Use of Water Resources

Recognising the critical importance of water resource stewardship, the Group has incorporated pertinent management practices and water conservation techniques into our Energy Conservation and Emission Reduction Management Process. The Administrative Department is responsible for overseeing water infrastructure and monitoring usage data across our facilities. Additionally, our workplace initiatives are designed to promote water-wise behaviour among employees across our operations. Examples of these efforts include:

Water Conservation

- Conduct inspection and provide maintenance for water facilities to prevent water leakage
- Place water-saving signs near water taps to remind employees
- Include in-house water conservation practices in employee training
- Recycle and reuse cooling water in the production processes after proper treatment

The Group's Wastewater Management Process provides a systematic framework for safely handling all wastewater streams. Comprehensive instructions guide the management of domestic and commercial effluent.

Untreated discharge from operational or food preparation areas is prohibited by municipal sewer systems. Oil and grease traps installed in staff kitchen sinks pre-treat drainage. Both industrial and culinary wastewater are contained in appropriate vessels. This prepares the fluids for collection and subsequent processing by a qualified wastewater services provider.

An accredited external inspector conducts annual monitoring. Their oversight confirms on-site wastewater mitigation efforts effectively satisfy all regulatory requirements prior to authorised disposal. Proper containment, pre-treatment and disposal route selection exemplifies the Group's dedication to responsible stewardship of water resources. Overall, the systematic process and compliance verification through third-party audits demonstrates our commitment to protecting local water environments from potential pollutants.

In 2025, the Group's water consumption and wastewater discharged decreased approximately 17.63% and 11.52% respectively compared with 2024. This reduction was primarily attributable to the decline in the Group's sales, which resulted in a corresponding decrease in water consumption and wastewater discharged. The Group has not encountered any problems in sourcing water for our daily operations.

Environmental, Social & Governance Report *(Continued)*

Use of Materials

Our staff members are encouraged to contribute to a greener workplace through daily activities such as double-sided printing, recycling single-sided pages, and leveraging electronic communication channels to reduce unnecessary printing where possible. More broadly, we embrace the philosophies of recycling, reusing, and optimising supplies before disposal across our operations. For instance, we work with our printer supplier to utilise used toner cartridges rather than being provided with new ones whenever feasible. Similarly, we strive to optimise our packaging practices through techniques that minimise material waste from shipping and receiving. These collective individual and institutional efforts demonstrate our commitment to sustainable resource management.

In 2025, the Group's packaging materials decreased significantly compared with 2024. This reduction was primarily attributable to the decline in the Group's sales, which resulted in a corresponding decrease in its packaging materials.

The Environment and Natural Resources

Environmental and natural resource preservation has always been a primary priority for us. The Group is committed to managing waste generation, wastewater discharge, and GHG emissions from our industrial activities to minimise negative environmental impacts. In addition to these measures, we have employed noise mitigation methods to reduce the sound produced by our production machinery. To minimise disturbance to the surrounding community and ensure compliance with required noise limits, we conduct monthly noise level inspections and perform routine maintenance.

The EHS Committee meets periodically to evaluate our environmental performance and the effectiveness of our EHS initiatives. Furthermore, the Group has developed emergency protocols to address any unanticipated situations that may pose a risk to the environment.

Climate Change

The Group has established climate strategies to address the escalating climate-related risks while leveraging opportunities that foster long-term sustainability and business resilience.

To strengthen our approach, and with reference to the IFRS S2 Climate-related Disclosures Standard, we conducted scenario analysis and risk prioritisation exercises to identify climate-related risks and opportunities that are critical to our business and value chain. This assessment encompassed both financial and non-financial impacts, enabling us to respond to climate challenges in a structured and informed manner.

Environmental, Social & Governance Report *(Continued)*

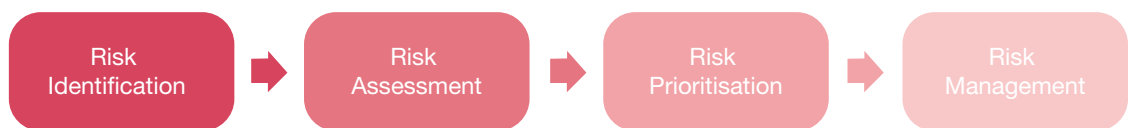
Strategy

Climate Scenario Analysis

The Group conducts climate scenario analysis to identify and assess potential climate-related physical and transition risks, as well as opportunities to its operations, asset portfolios and value chain over short- to medium-term horizons (2030 and 2035) and medium- to long-term horizons (2050). These timeframes align with the global objective of reducing emissions and achieving net zero by 2050. While projections beyond 2050 involve significant uncertainty due to underlying assumptions, our approach ensures a balance between data reliability and addressing long-term risks.

For physical risks, the assessment begins with a high-level screening of asset types to understand their inherent exposure to acute and chronic climate-related hazards. This is followed by an evaluation of geographical markets in which the Group operates, taking into account spatial and temporal variations in climate hazards under different climate scenarios. The analysis considers the proportion of assets exposed to climate-related risks based on asset characteristics and geographical locations, without factoring in existing adaptation or mitigation measures. Changes in physical risk exposure over time are assessed by combining projected climate conditions under selected scenarios and expected changes in the Group's asset portfolio, providing insight into how physical climate risks may evolve over the long term.

For transition risks, the Group assesses potential impacts arising from the transition to a low-carbon economy, including changes in climate-related policies and regulations, market dynamics, technology developments and stakeholder expectations. The assessment evaluates the sensitivity of key business activities to transition drivers under different climate scenarios. Potential financial and operational impacts are analysed across defined time horizons, with reference to the Group's strategic direction and decarbonisation plans. The outcomes of the climate scenario analysis are used to inform risk management, strategic planning and capital allocation, and to enhance the Group's resilience under a range of plausible climate futures.



Steps in the Risk Integration Process

To evaluate the potential implications of climate change in our business, we utilised climate pathways developed by globally recognised institutions, including the Intergovernmental Panel on Climate Change ("IPCC") and the International Energy Agency ("IEA"). These scenarios incorporate a broad range of factors – political, environmental, economic, and social indicators. Key variables include projected shifts in population, economic activity, weather patterns, energy usage, land-use patterns, technology, and climate policy. Separate sets of scenarios were applied to physical and transition risks to reflect distinct risk drivers. Insights from this analysis inform our climate strategy by identifying risk hotspots and guiding actions to strengthen long-term resilience.

Environmental, Social & Governance Report *(Continued)*

Inputs and Approach of Scenario Analysis

Scope of Analysis

- 2 operating locations in Kowloon Bay, Hong Kong and Dongguan, the PRC respectively
- Including headquarters and an operating site

Scenario Used

- Time Horizons**
- Short- to medium-term horizons (2030 and 2035)
 - Medium- to long-term horizons (2050)
- Rationale**
- The scenarios developed take reference from IPCC (physical risks) and IEA (transition risks)
 - The selected sources model most severe climate futures, enabling us to inform risk mitigation planning, guide capital investment decisions and strengthen operational resilience
 - The scenarios chosen will help the Group assess the level of exposure from physical and transition risks, and support our future strategic planning

Climate Risks	Physical Risks	Transition Risks
Scenario	IPCC SSP5-8.5 Scenario	IEA Current Policies Scenario (CPS)
Scenario Description	A high GHG emissions scenario driven by rapid economic growth and heavy fossil fuel use, leading to severe climate change with warming of about 4°C by 2100.	An energy future based solely on policies already enacted into law, projecting continued growth in fossil-fuel demand and a resulting global temperature rise of roughly 2.9 °C by 2100.
Risks Assessed	<p>Acute risk:</p> <ul style="list-style-type: none"> • Heavy precipitation <p>Chronic risk:</p> <ul style="list-style-type: none"> • Rising average temperature 	<ul style="list-style-type: none"> • Increasing cost from carbon offsets • Increasing electricity costs

Key Assumptions for Scenario Analysis and Asset Location Identification

- Expect asset locations to remain the same over the time horizons
- No existing adaptation or mitigation measures

Environmental, Social & Governance Report *(Continued)*

Risk Management

Physical Risks and Opportunities

To proactively model the most severe possible climate futures, the analysis applied the IPCC SSP5-8.5 scenario, representing a high-emission pathway, to evaluate projected impacts for the assets located in Hong Kong and the PRC by 2030 and 2050 horizons.

The assessment utilised advanced climate modelling methodologies that integrate historical records with future projections of key climate variables. Geospatial analysis incorporating satellite imagery, topography, vegetation, and building footprints was also employed to assess the likelihood and impact of physical risks to our assets. This science-based, data-driven approach enables us to better anticipate climate risks and design informed resilience strategies.

Two physical risks, assessed as having low impact under the selected climate scenarios, and are summarised in the table below. While the supplementary table provides an overview of their potential business and value chain, and financial implications, together with the Group's response and opportunities.

Risk Exposure Level ■ Low ■ Low to medium ■ Medium ■ High

	Heavy Precipitation	Rising Average Temperature
	IPCC SSP5-8.5	
Location	2030	2050
Hong Kong	Low	Low
The PRC – Dongguan	Low	Low

Environmental, Social & Governance Report *(Continued)*

Risk Type	Acute Physical Risks	Chronic Physical Risks
Description	Heavy Precipitation	Rising Average Temperature
Potential Financial Impact on Business Model and Value Chain	<ul style="list-style-type: none"> • Business interruptions • Prevent employee commuting • Power outages and property damage • Unstable transport and production may cause revenue losses 	<ul style="list-style-type: none"> • Increasing occupational health risks • Impact storage of supplies/ goods • Increasing operational costs • Affecting upstream procurement
Responses and Opportunities	<ul style="list-style-type: none"> • Develop response plan for extreme conditions • Explore rainwater harvesting technology 	<ul style="list-style-type: none"> • Formulate emergency response plan

Transition Risks and Opportunities

To assess transition risks associated with the shift toward a low-carbon economy, we focused on the Group's core business – Toys and Model Trains across Hong Kong and the PRC. To proactively model the most severe possible climate futures, the analysis applied the IEA Current Policies Scenario (CPS), continued growth in fossil-fuel demand and high transition risks covering 2035 horizons.

Environmental, Social & Governance Report *(Continued)*

To complement this analysis, we conducted a qualitative review of local policy trends and regulatory developments in Hong Kong and the PRC, recognising that global scenarios may lack regional specificity. We also distributed surveys internally to gather practical insights on operational resilience and transition risk exposure across our operations, taking into account policy, economic, and market factors. Additionally, the analysis acknowledges inherent uncertainties, not only from climate modelling assumptions but also those arising from evolving regulatory environments and expert judgments influenced by market sentiment.

The findings are summarised in the following table, detailing the identified transition risks, their potential business and value chain, financial impacts, and the Group's corresponding response and opportunities.

Risk Exposure Level ■ Low ■ Low to medium ■ Medium ■ High

	Increasing cost from carbon offsets	Increasing electricity costs
	IEA Current Policies Scenario	
Location	2035	2035
Hong Kong	Low to medium	Low to medium
The PRC – Dongguan	Low to medium	Low to medium

Environmental, Social & Governance Report *(Continued)*

Description	Increasing cost from carbon offsets
Potential Financial Impact on Business Model and Value Chain	<ul style="list-style-type: none"> • Increased pressure to invest and capital expenditure in low-carbon technologies and carbon price • Increased business uncertainty, arising from changing regulations and global trends • Increased training costs for policy and regulation
Response and Opportunities	<ul style="list-style-type: none"> • Assess potential exposures to carbon pricing and explore strategies for achieving carbon reduction • Identify opportunities to invest in energy-efficient or low-carbon technologies that reduce long-term offset requirements • Leverage government incentives or green financing to support decarbonisation investments
Potential Financial Impact on Business Model and Value Chain	<ul style="list-style-type: none"> • Competitiveness loss compared to firms that have already invested in energy efficiency or renewables • Higher operating costs due to increased electricity tariffs from renewable energy mandates or fossil-fuel phase-out • Price volatility complicates budgeting, long-term planning, and investment appraisal, which cause greater forecasting uncertainty
Response and Opportunities	<ul style="list-style-type: none"> • Explore to conduct energy audits to identify efficiency improvements • Explore Power Purchase Agreements (PPAs) to lock in long-term stable energy prices • Consider electrification or process redesign that improves efficiency and positions the business for future low-carbon competitiveness

Environmental, Social & Governance Report *(Continued)*

Metrics and Targets

The GHG emissions of the Group mainly come from three aspects: petrol used by company vehicles, towngas from the employee cafeteria, and refrigerants (Scope 1); purchased electricity (Scope 2); and Category 1 (purchased goods and services), Category 5 (waste generated in operations) and Category 6 (business travel) under the “GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard”. The performance of GHG emissions during the Reporting Period is summarised as follows:

GHG Emissions	Source of Emission Factors	Unit	2025	2024
Direct GHG Emissions – Scope 1				
Company vehicles – petrol, towngas from the employee cafeteria, and refrigerants	<ul style="list-style-type: none"> “How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” published by the HKEx 	tCO ₂ e	388.49	182.04
Energy Indirect GHG Emissions – Scope 2				
Purchased electricity	<ul style="list-style-type: none"> The grid emission factors included in “Announcement on the Release of the 2024 Electricity Carbon Footprint Factor Data” issued by the Ministry of Ecology and Environment of the PRC The “Sustainability Report 2024” published by the HK Electric Investments Limited The “2024 Sustainability Report” published by the CLP Holdings Limited 	tCO ₂ e	3,408.17	3,674.96
Other Energy Indirect GHG Emissions – Scope 3²				
Category 1: purchased goods and services	<ul style="list-style-type: none"> Please refer to “Scope 3 Reporting Boundary” 	tCO ₂ e	18.65	N/A
Category 5: waste generated in operations		tCO ₂ e	14.39	
Category 6: business travel		tCO ₂ e	0.08	
Total emissions		tCO ₂ e	3,829.78	3,935.06
Total emissions intensity		tCO ₂ e/million HKD sales ³	20.88	16.89

² Starting from this Reporting Period, the Group has disclosed Scope 3 data in accordance with the classification set out in the GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Therefore, the data for 2024 is no longer applicable.

³ The Group’s million HKD sales include KI’s sales of goods and rental income, as well as Feng Da’s domestic sales. During 2025, the Group’s total million HKD sales were 183.43 (2024: 232.98). This data will also be used for calculating other intensity data.

Environmental, Social & Governance Report *(Continued)*

In 2025, the Group’s GHG emissions decreased by approximately 2.68% compared with 2024. Despite this reduction, the emissions intensity rose significantly. The sharp increase in Scope 1 emissions was largely attributed to several air-conditioning units sustaining broken copper pipes during typhoon events in the Reporting Period, which led to higher refrigerant leakage relative to the previous year. In addition, the ageing of these air-conditioning systems has naturally resulted in more frequent maintenance needs, further elevating direct emissions.

Scopes 2 and 3, on the other hand, showed a downward trend mainly due to reduced sales, which in turn lowered the Group’s operational emissions. For the same reason, the decline in sales, combined with the mathematical nature of intensity calculations resulted in an increase in GHG emissions intensity, reflecting a normal and expected outcome under such circumstances.

Scope 3 Reporting Boundary

Scope 3 Category	Relationship with the Group	Calculation and Emission Factors
Category 1: purchased goods and services		
Emissions from the freshwater consumed.	The most significant sources of emission are identified as emissions incurred from electricity used freshwater processing by the water suppliers.	<ul style="list-style-type: none"> Assessed using supplier-specific method. It is calculated by multiplying the freshwater consumed by the Group by the corresponding emission factor. The source of emission factors: “Annual Report 2023/24” published by the Water Supplies Department of Hong Kong.

Environmental, Social & Governance Report *(Continued)*

Scope 3 Category	Relationship with the Group	Calculation and Emission Factors
Category 5: waste generated in operations		
Emissions from the disposal and treatment of waste generated.	Among the waste produced, the most significant sources of emission are identified as household residual waste, metal (steel cans), wastepaper, and wastewater.	<ul style="list-style-type: none"> • Assessed using waste-type-specific method. • It is calculated by multiplying the amount of waste generated by the Group by the corresponding emission factor, considering the method of disposal. • The source of emission factors: “How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” published by the HKEx, the 2024 UK Government GHG Conversion Factors for Company Reporting, and the “Environmental, Social and Governance Report 2023-24” published by the Drainage Services Department of Hong Kong.

Environmental, Social & Governance Report *(Continued)*

Scope 3 Category	Relationship with the Group	Calculation and Emission Factors
Category 6: business travel		
Emissions from the transportation of employees for business related activities	The most significant sources of emission are identified as air travel and high-speed train travel.	<ul style="list-style-type: none"> Assessed using distance-based method. The air travel emission is calculated by multiplying the distance travelled by specific flight class by the corresponding emission factor, and the high-speed train travel emission is calculated by multiplying the railway type, distance and number of passengers by the corresponding emission factor. The source of emission factors: ICAO Carbon Emissions Calculator of International Civil Aviation Organisation (“ICAO”) and GHG Emissions from Transport or Mobile Sources Tool under GHG Protocol.

Our Approach

Our approach	
Standards	<ul style="list-style-type: none"> The “GHG Protocol: A Corporate Accounting and Reporting Standard (2004)” (《溫室氣體核算體系:企業核算與報告標準(2004年)》) issued by the World Resources Institute and the World Business Council for Sustainable Development The “Global Warming Potential Values” from the Sixth Assessment Report issued by the Intergovernmental Panel on Climate Change “How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” published by the HKEx
Measurement method	Using operational control, as operational information is accessible
Operational boundary	<ul style="list-style-type: none"> 2 operating locations in Kowloon Bay, Hong Kong and Dongguan, the PRC respectively Including headquarters and an operating site

Environmental, Social & Governance Report *(Continued)*

GHG Emissions Targets

In order to comply with the Part D: Climate-related Disclosure Requirements under the ESG Reporting Code updated by the HKEx on 1 January 2025, the Group has reset the GHG emissions targets, with reference to the Practical Net-Zero Guide for Business by HKEx, details of which are set out below:

Target Information		Target Setting		
Target Setting	By 2030, the short-term target is reducing Scope 1 and Scope 2 GHG emissions by approximately 14% compared to 2025, the benchmark year.		Scope 1 and 2: GHG emissions (tCO₂e)	Decrease compared to the benchmark year (%)
Type of Target (Absolute/ Intensity)	Absolute	Total emissions – benchmark year (2025)	3,796.66	/
Aim of Target	In line with the Practical Net-Zero Guide for Business by HKEx, the target has been established after the Group analysing the GHG reduction potential of the value chain and identifying all practical actions.	Total emissions – target (2030)	3,258.21	▼14%
Progress Monitoring	The Board and/or the ESG Committee reviews the target and performance of Scope 1 and Scope 2 GHG emissions and evaluates whether any revisions are needed.			
Target Scope	Covering the office located in Kowloon Bay, Hong Kong and the operating site located in Dongguan, the PRC of the Group			

Current Progresses

	Scope 1 and 2: GHG emissions (tCO ₂ e)	Decrease compared to the benchmark year (%)
2025	3,796.66	/

Environmental, Social & Governance Report *(Continued)*

Measures to Mitigate Emissions

In order to effectively reduce the emissions generated by the Group, the Group has adopted several measures for the management of vehicles, such as the reasonable use of vehicles by employees, prohibition of the use of the Group's vehicles for personal reasons and strict approval for long-distance travel arrangements to reduce unnecessary travel. The Group's vehicles are examined and maintained periodically to enhance fuel efficiency.

Carbon Offset

The Group believes that prudent and high-quality carbon offset plays a role in reducing our carbon footprint. We will actively explore the purchase of renewable energy certificates, including internationally recognised instruments such as I-RECs, as a means to procure verified renewable electricity attributes, seeking ways to offset the GHG emissions. The Group will continue to evaluate our carbon offset strategy, including procurement standards, suitable platforms and schedules. Exploring the long-term investment opportunities in carbon removal projects and gradually reducing reliance on carbon offset will be our focus.

PERFORMANCE DATA SUMMARY

	Unit	2025	2024
Total number of employees	number	391	533
By gender			
Male	number	163	204
Female	number	228	329
By employment type			
Full-time	number	391	532
Part-time	number	0	1
By age group			
<30 years old	number	15	38
30 – 50 years old	number	242	348
>50 years old	number	134	147
By geographical region			
Hong Kong	number	64	67
The PRC	number	327	466

Environmental, Social & Governance Report *(Continued)*

	Unit	2025	2024
Total turnover rate⁴	percentage	61.89	62.10
By gender			
Male	percentage	43.56	53.92
Female	percentage	75.00	67.17
By age group			
<30 years old	percentage	160.00	260.53
30 – 50 years old	percentage	40.50	32.76
>50 years old	percentage	89.55	80.27
By geographical region			
Hong Kong	percentage	28.13	23.88
The PRC	percentage	68.50	59.10
OHS performance			
Number of work-related fatalities	person	0	0
Number of reported injuries ⁴	person	4	5
Lost days due to work-related injury	days	208	725

⁴ The employee turnover rate was calculated by dividing the number of employees who left the employment during the financial year by the number of employees at the end of the financial year, then multiplying the result by 100.

Environmental, Social & Governance Report *(Continued)*

	Unit	2025	2024
Total percentage of employees trained⁵	percentage	23.53	47.84
Percentage of employees trained by gender			
Male	percentage	22.83	35.69
Female	percentage	77.17	64.31
Percentage of employees trained by employee category			
Management	percentage	1.09	0.78
General staff	percentage	98.91	99.22
Total average training hours	hours	0.35	0.72
Average training hours by gender			
Male	hours	0.19	0.67
Female	hours	0.47	0.75
Average training hours by employee category			
Management	hours	0.01	0.11
General staff	hours	3.90	0.77

⁵ The percentage of employees trained is calculated by dividing the total number of employees trained during the financial year by the total number of employees at the end of the financial year, then multiplying the result by 100; the breakdown of employees trained by category is calculated by dividing the number of employees trained in a specific category during the financial year by the total number of employees trained during the financial year, then multiplying the result by 100; the average training hours are calculated by dividing the total number of training hours during the financial year by the number of employees at the end of the financial year.

Environmental, Social & Governance Report *(Continued)*

	Unit	2025	2024
Total number of suppliers	number	89	101
By geographical region			
Hong Kong	number	25	34
The PRC	number	57	59
Others	number	7	8
Energy consumption⁶			
Direct energy consumption	MWh	87.81	105.36
– Unleaded petrol	MWh	87.81	105.36
Indirect energy consumption	MWh	6,681.38	7,161.86
– Purchased electricity	MWh	6,637.65	7,116.11
– Towngas	MWh	43.73	45.75
Total energy consumption	MWh	6,769.19	7,267.22
Intensity	MWh/million HKD sales	36.90	31.19
Packaging materials			
Carton box	tonnes	41.85	71.71
Paper	tonnes	30.30	30.64
Total	tonnes	72.15	102.35
Intensity	tonnes/million HKD sales	0.39	0.44

⁶ The unit conversion method of direct energy consumption data is based on the “Energy Statistic Manual” issued by the International Energy Agency.

Environmental, Social & Governance Report *(Continued)*

	Unit	2025	2024
Waste generation			
Hazardous waste total	tonnes	1.40	1.40
Chemical waste	tonnes	1.40	1.40
Intensity	tonnes/million HKD sales	0.008	0.006
Non-hazardous waste total	tonnes	2.22	2.85
Waste paper	tonnes	2.22	2.85
Intensity	tonnes/million HKD sales	0.01	0.01
Water resources			
Freshwater consumption	m ³	72,859.00	88,449.00
Intensity	m ³ /million HKD sales	397.20	379.64
Wastewater discharge	m ³	14,327.00	16,193.00
Intensity	m ³ /million HKD sales	78.11	69.50

Environmental, Social & Governance Report *(Continued)*

	Unit	2025	2024
GHG emissions			
Scope 1	tCO ₂ e	388.49	182.04
Scope 2	tCO ₂ e	3,408.17	3,674.96
Scope 3	tCO ₂ e	33.12	N/A
Total	tCO ₂ e	3,829.78	3,935.06
Intensity	tCO ₂ e/million HKD sales	20.88	16.89
Air emissions⁷			
Nitrogen oxides	kg	4.44	5.22
Sulphur oxides	kg	0.14	0.16
Particulate matter	kg	0.28	0.34
Xylene	kg	1.06	3.23
Toluene	kg	1.06	1.31

⁷ The calculation is based on the “How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” published by the HKEx.

Environmental, Social & Governance Report *(Continued)*

HKEX ESG REPORTING CODE INDEX

Aspect	Description	Disclosure	Chapter/Section
Part B: Mandatory Disclosure Requirements			
Governance Structure	<p>13. A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	Disclosed	Sustainability Governance; ESG Risk Management
Reporting Principles	<p>14. A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose:</p> <ul style="list-style-type: none"> (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	Disclosed	Reporting Framework and Principles; Stakeholder Engagement and Materiality Assessment
Reporting Boundary	<p>15. A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	Disclosed	Reporting Scope

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Part C: "Comply or explain" Provisions			
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 emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	Environmental Sustainability
KPI A1.1	The types of emissions and respective emissions data.	Disclosed	Air Emissions Control; Performance Data Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Hazardous Waste; Performance Data Summary
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Non-hazardous Waste; Performance Data Summary
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Disclosed	Environmental Sustainability
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.	Disclosed	Environmental Sustainability
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	Environmental Sustainability
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).	Disclosed	Energy Efficiency; Performance Data Summary
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Use of Water Resources; Performance Data Summary

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	Environmental Sustainability
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.	Disclosed	Use of Water Resources; Environmental Sustainability
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Use of Materials
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Disclosed	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	The Environment and Natural Resources
B. Social			
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.	Disclosed	A Responsible Employer
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Disclosed	Employment Practices; Performance Data Summary
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Performance Data Summary

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
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.	Disclosed	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	Occupational Health and Safety; Performance Data Summary
KPI B2.2	Lost days due to work injury.	Disclosed	Occupational Health and Safety; Performance Data Summary
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	Occupational Health and Safety; Performance Data Summary
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	Staff Development; Performance Data Summary
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	Staff Development; Performance Data Summary
KPI B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Staff Development; Performance Data Summary

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	Child and Forced Labour
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Disclosed	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Disclosed	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	Supply Chain Management

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	A Responsible Producer
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	Stakeholder Privacy and Intellectual Property Rights Protection
KPI B6.4	Description of quality assurance process and recall procedures.	Disclosed	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	Stakeholder Privacy and Intellectual Property Rights Protection

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	Business Conduct
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	Business Conduct
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Disclosed	Business Conduct
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	Business Conduct
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	Community Investment
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	Disclosed	Community Investment
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Disclosed	Community Investment

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
D. Climate-related Disclosures			
(I) Governance			
19.	<p>An issuer shall disclose information about:</p> <p>(a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:</p> <p>(i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities.</p> <p>(ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities.</p> <p>(iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; and</p> <p>(iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and</p> <p>(b) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:</p> <p>(i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and</p> <p>(ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions</p>	Disclosed	Sustainability Governance; ESG Risk Management

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
(II) Strategy			
<i>Climate-related Risks and Opportunities</i>			
20.	<p>An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:</p> <ul style="list-style-type: none"> (a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term; (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur. (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making. 	Disclosed	Climate Change
<i>Business model and value chain</i>			
21.	<p>An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose:</p> <ul style="list-style-type: none"> (a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and (b) a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets). 	Disclosed	Climate Change

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
22.	<p>An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:</p> <p>(a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:</p> <p>(i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities;</p> <p>(ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);</p> <p>(iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and</p> <p>(iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)); and</p> <p>(b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).</p>	Disclosed	Climate Change
23	<p>An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).</p>	Disclosed	Climate Change

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Financial position, financial performance and cash flows			
24	<p>An issuer shall disclose qualitative and quantitative information about:</p> <p>(a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period.</p> <p>(b) the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.</p>	Disclosed	Climate Change
25	<p>The issuer shall provide qualitative and quantitative disclosures about:</p> <p>(a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:</p> <p>(i) its investment and disposal plans; and</p> <p>(ii) its planned sources of funding to implement its strategy; and</p> <p>(b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.</p>	Disclosed	Climate Change

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Climate resilience			
26	<p>An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:</p> <p>(a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of:</p> <ul style="list-style-type: none"> (i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term; 	Disclosed	Climate Change

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
	<p>(b) how and when the climate-related scenario analysis was carried out, including:</p> <ul style="list-style-type: none"> (i) information about the inputs used, including: <ul style="list-style-type: none"> (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) time horizons the issuer used in the analysis; and (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis); (ii) the key assumptions the issuer made in the analysis; and (iii) the reporting period in which the climate-related scenario analysis was carried out. 		

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
(III) Risk Management			
27	<p>An issuer shall disclose information about:</p> <p>(a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:</p> <p>(i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes);</p> <p>(ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;</p> <p>(iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);</p> <p>(iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;</p> <p>(v) how the issuer monitors climate-related risks; and</p> <p>(vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;</p> <p>(b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related Opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and</p> <p>(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.</p>	Disclosed	ESG Risk Management; Climate Change

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
(IV) Metrics and Targets			
Greenhouse Gas Emissions			
28	<p>An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO₂ equivalent, classified as:</p> <ul style="list-style-type: none"> (a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emissions. 	Disclosed	Metrics and Targets; Performance Data Summary
29	<p>An issuer shall:</p> <ul style="list-style-type: none"> (a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; (b) disclose the approach it uses to measure its greenhouse gas emissions including: <ul style="list-style-type: none"> (i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions; (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; (c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and (d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). 	Disclosed	Metrics and Targets; Performance Data Summary

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Climate-related Transition Risks			
30	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	Disclosed	Climate Change
Climate-related Physical Risks			
31	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	Disclosed	Climate Change
Climate-related Opportunities			
32	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	Disclosed	Climate Change
Capital Deployment			
33	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	Disclosed	Climate Change
Internal Carbon Prices			
34	An issuer shall disclose: (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	Disclosed	Climate Change

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Remuneration			
35	An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	Disclosed	Sustainability Governance
Industry-based Metrics			
36	An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	Yet to be disclosed	The Group will review the internal information and disclose it at the proper time to ensure transparency and compliance.

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Climate-related Targets			
37	<p>An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:</p> <ul style="list-style-type: none"> (a) the metric used to set the target; (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) milestones or interim targets (if any); (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target. 	Disclosed	Climate Change
38	<p>An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:</p> <ul style="list-style-type: none"> (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions. 	Disclosed	Climate Change

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
39	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	Disclosed	Climate Change
40	<p>For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:</p> <ul style="list-style-type: none"> (a) which greenhouse gases are covered by the target; (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target; (c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; (d) whether the target was derived using a sectoral decarbonisation approach; and (e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose: <ul style="list-style-type: none"> (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset). 	Disclosed	Climate Change

Environmental, Social & Governance Report *(Continued)*

Aspect	Description	Disclosure	Chapter/Section
Applicability of Cross-industry Metrics and Industry-based Metrics			
41	In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	Yet to be disclosed	The Group will review the internal information and disclose it at the proper time to ensure transparency and compliance.

Independent Auditor's Report



to the shareholders of Kader Holdings Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Kader Holdings Company Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 112 to 213, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

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.

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS (CONTINUED)

Valuation of investment properties in Hong Kong

Refer to note 11 to the consolidated financial statements and note 1(g) to the accounting policies.

The Key Audit Matter

At 31 December 2025 the Group held investment properties, which comprised industrial buildings located in Hong Kong, with an aggregate fair value of HK\$1,748 million and accounted for 67% of the Group's total assets at that date.

The fair values of these investment properties in Hong Kong at 31 December 2025 were assessed by the directors primarily based on independent valuation reports prepared by qualified external property valuers.

The net change in fair value of these investment properties in Hong Kong recorded in the consolidated statement of profit or loss amounted to a loss of HK\$110 million for the year ended 31 December 2025.

We identified the valuation of these investment properties in Hong Kong as a key audit matter because of the significance of these investment properties in Hong Kong to the Group's total assets and the significance of the change in the fair value of these investment properties in Hong Kong to the Group's loss for the year and because the valuation of these investment properties in Hong Kong can be inherently subjective and requires significant judgements and estimates, particularly in selecting the appropriate valuation methodology, capitalisation rates and market rents.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of these investment properties in Hong Kong included the following:

- obtaining and inspecting the valuation reports prepared by external property valuers engaged by management and on which the directors' assessment of the fair value of these investment properties in Hong Kong was based;
- assessing the external property valuers' competence, capabilities and objectivity;
- with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology with reference to the requirements of the prevailing accounting standards and challenging the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data and historical leasing performance of the subject properties and by utilising the industry knowledge and experience of our internal property valuation specialists for the investment properties located in Hong Kong; and
- comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis.

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS (CONTINUED)

Potential impairment of property, plant and equipment in the toys and model trains segment

Refer to note 11 to the consolidated financial statements and note 1(h) to the accounting policies.

The Key Audit Matter

The carrying value of the Group's other property, plant and equipment amounted to HK\$216 million at 31 December 2025. The Group's other property, plant and equipment principally comprised land and buildings together with plant and equipment used in the toys and model trains segment of the Group.

Given the global economic conditions and market competition in the toys and model trains sector, management considered that there is a risk that the carrying value of these assets may not be fully recoverable through future cash flows to be generated from operations or from their disposal and determined that an impairment assessment of these assets was required.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment in the toys and model trains segment included the following:

- evaluating management's identification of the CGU which comprised the toys and model trains segment and the allocation of assets to that CGU;
- with the assistance of our internal valuation specialists, assessing the methodology adopted in the preparation of the discounted cash flow forecast by management, with reference to the requirements of the prevailing accounting standards, and whether the discount rate adopted in the discounted cash flow forecast was within the normal range of those of comparable entities;
- comparing the most significant inputs used in the discounted cash flow forecast, including future revenue and future margins to the historical performance of the CGU and publicly available information, taking into account recent developments in the toys and model trains sector, the Group's future business plans and the financial budget which was approved by the directors;

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS (CONTINUED)

Potential impairment of property, plant and equipment in the toys and model trains segment (continued)

Refer to note 11 to the consolidated financial statements and note 1(h) to the accounting policies. (continued)

The Key Audit Matter

The recoverable amount of property, plant and equipment relating to the toys and model trains segment is determined by management based on the value in use of these assets. Management prepared a discounted cash flow forecast, taking into consideration subjective factors such as the discount rate, future revenue, future margins and future cost growth rates. The net present value of the cash flow forecast was compared with the carrying value of the cash generating unit ("CGU") to which the relevant property, plant and equipment was allocated to determine whether any impairment loss should be recognised.

We identified the potential impairment of property, plant and equipment in the toys and model trains segment of the Group as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows and in determining the discount rate applied in the impairment assessment, both of which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

- comparing the relevant revenue and operating costs included in the discounted cash flow forecast prepared by management in the prior year with the current year's actual performance to assess the accuracy of the prior year's forecast and making enquiries of management as to the reasons for any significant variations identified; and
- obtaining from management sensitivity analyses of both revenue and the discount rate and assessing the impact of changes in these key assumptions on the conclusions reached in the impairment assessment and whether there were any indicators of management bias.

Independent Auditor's Report *(Continued)*

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report *(Continued)*

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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 HKSA's 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 HKSA's, 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.
- 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.

Independent Auditor's Report *(Continued)*

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

- 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 purposes 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 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 Sylvene Fong (practising certificate number: P05027).

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2026

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	3,10	351,160	343,711
Other revenue and other net income/(loss)	4	33,362	(2,262)
Changes in inventories of finished goods and work in progress		(26,249)	33,636
Cost of purchase of finished goods		(62,779)	(40,892)
Raw materials and consumables used		(18,383)	(45,531)
Staff costs	5(b)	(139,921)	(150,468)
Depreciation	11	(40,054)	(42,646)
Other operating expenses	5(c)	(105,523)	(109,355)
Loss from operations		(8,387)	(13,807)
Finance costs	5(a)	(31,383)	(39,731)
Share of profits less losses of associates	14	(38,164)	(19,355)
Impairment loss of loans to an associate		–	(3,969)
Deficit on revaluation of investment properties	11	(109,994)	(112,368)
Loss before taxation	5	(187,928)	(189,230)
Income tax (expense)/credit	6	(1,068)	2,930
Loss for the year		(188,996)	(186,300)
Attributable to:			
Equity shareholders of the Company		(189,593)	(186,704)
Non-controlling interests		597	404
Loss for the year		(188,996)	(186,300)
Loss per share	9		
Basic		(19.94) ¢	(19.64) ¢
Diluted		(19.94) ¢	(19.64) ¢

The notes on pages 119 to 213 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 27(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	2025 HK\$'000	2024 HK\$'000
Loss for the year	(188,996)	(186,300)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK\$Nil tax	<u>7,850</u>	<u>(1,316)</u>
Total comprehensive income for the year	<u>(181,146)</u>	<u>(187,616)</u>
Attributable to:		
Equity shareholders of the Company	(181,949)	(187,823)
Non-controlling interests	<u>803</u>	<u>207</u>
Total comprehensive income for the year	<u>(181,146)</u>	<u>(187,616)</u>

The notes on pages 119 to 213 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2025

(Expressed in Hong Kong dollars)

	Note	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000
Non-current assets			
Investment properties	11	1,810,943	1,915,264
Other property, plant and equipment	11	215,823	218,805
		<u>2,026,766</u>	<u>2,134,069</u>
Intangible assets	12	250	284
Interest in associates	14	26,966	55,655
Other financial assets	16	57,420	48,102
Deposits and prepayments	15	56,755	69,176
Deferred tax assets	24(b)	8,826	22,289
		<u>2,176,983</u>	<u>2,329,575</u>
Current assets			
Trading securities	17	2,927	4,019
Inventories	18(a)	256,955	269,638
Current tax recoverable	24(a)	13	61
Loans to an associate	14	–	61,114
Trade and other receivables	19	108,496	96,060
Cash and cash equivalents	20(a)	64,851	48,934
		<u>433,242</u>	<u>479,826</u>
Current liabilities			
Trade and other payables and contract liabilities	21	95,662	141,216
Bank loans	22	695,199	636,660
Lease liabilities	23	8,511	7,994
Current tax payable	24(a)	19,889	19,073
		<u>819,261</u>	<u>804,943</u>
Net current liabilities		<u>(386,019)</u>	<u>(325,117)</u>

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2025

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000
Total assets less current liabilities		<u>1,790,964</u>	<u>2,004,458</u>
Non-current liabilities			
Bank loans	22	24,570	37,054
Lease liabilities	23	2,760	10,587
Deferred tax liabilities	24(b)	19,656	31,619
Accrued employee benefits	26	<u>14</u>	<u>88</u>
		<u>47,000</u>	<u>79,348</u>
NET ASSETS		<u>1,743,964</u>	<u>1,925,110</u>
CAPITAL AND RESERVES			
Share capital	27(c)	95,059	95,059
Reserves		<u>1,643,107</u>	<u>1,825,056</u>
Total equity attributable to equity shareholders of the Company		1,738,166	1,920,115
Non-controlling interests		<u>5,798</u>	<u>4,995</u>
TOTAL EQUITY		<u>1,743,964</u>	<u>1,925,110</u>

Approved and authorised for issue by the Board of Directors on 23 March 2026

Kenneth Ting Woo-shou
Director

Lao Wai-keung
Director

The notes on pages 119 to 213 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
Balance at 1 January 2024	95,059	185,138	10,815	173,397	(20,851)	82,055	1,582,325	2,107,938	6,882	2,114,820
Loss for the year	-	-	-	-	-	-	(186,704)	(186,704)	404	(186,300)
Other comprehensive income	-	-	-	-	(1,119)	-	-	(1,119)	(197)	(1,316)
Total comprehensive income	-	-	-	-	(1,119)	-	(186,704)	(187,823)	207	(187,616)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(2,094)	(2,094)
Balance at 31 December 2024 and 1 January 2025	95,059	185,138	10,815	173,397	(21,970)	82,055	1,395,621	1,920,115	4,995	1,925,110
Loss for the year	-	-	-	-	-	-	(189,593)	(189,593)	597	(188,996)
Other comprehensive income	-	-	-	-	7,644	-	-	7,644	206	7,850
Total comprehensive income	-	-	-	-	7,644	-	(189,593)	(181,949)	803	(181,146)
Balance at 31 December 2025	95,059	185,138	10,815	173,397	(14,326)	82,055	1,206,028	1,738,166	5,798	1,743,964

The notes on pages 119 to 213 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Operating activities			
Cash generated from operations	20(b)	36,394	39,149
Tax paid:			
Hong Kong Profits Tax paid		(4)	(190)
Hong Kong Profits Tax refunded		23	135
Tax outside Hong Kong paid		(10)	(12)
		<u>36,403</u>	<u>39,082</u>
Net cash generated from operating activities		36,403	39,082
Investing activities			
Payment for additions of investment properties		(1,572)	(2,736)
Payment for the purchase of other property, plant and equipment		(30,716)	(25,221)
Proceeds from disposal of other property, plant and equipment		10	166
Decrease/(increase) in non-current deposits and prepayments		11,590	(10,854)
Payment for purchase of other financial assets		(4,463)	-
Payment for purchase of trading securities		(1,901)	(6,216)
Proceeds from sales of other financial assets		-	5,584
Proceeds from sale of trading securities		3,841	12,881
Interest received		202	240
Dividend income received		74	257
Increase in amount due from an associate		(169)	(11)
Loans advanced to associates		(3,647)	(9,750)
		<u>(26,751)</u>	<u>(35,660)</u>
Net cash used in investing activities		(26,751)	(35,660)

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Financing activities			
Capital element of lease rentals paid	<i>20(d)</i>	(8,226)	(8,018)
Interest element of lease rentals paid	<i>20(d)</i>	(560)	(909)
Proceeds from new bank loans	<i>20(d)</i>	790,000	832,000
Repayment of bank loans	<i>20(d)</i>	(746,201)	(816,125)
Bank borrowing costs paid	<i>20(d)</i>	(30,823)	(38,822)
Dividends paid to non-controlling interest		<u>–</u>	<u>(2,094)</u>
Net cash generated from/(used in) financing activities		<u>4,190</u>	<u>(33,968)</u>
Net increase/(decrease) in cash and cash equivalents		13,842	(30,546)
Cash and cash equivalents at 1 January		48,934	80,126
Effect of foreign exchange rate changes		<u>2,075</u>	<u>(646)</u>
Cash and cash equivalents at 31 December	<i>20(a)</i>	<u>64,851</u>	<u>48,934</u>

The notes on pages 119 to 213 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 1(g)); and
- debt and equity investments (see note 1(f)).

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

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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

Judgements made by management in the application of HKFRS Accounting Standards that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

The Group recorded net current liabilities of HK\$386,019,000. Despite the net current liabilities as at 31 December 2025, the Group's cash and cash equivalents amounted to HK\$64,851,000 on the same day. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 December 2025 and the unutilised banking facilities of HK\$151,867,000 at the date of approval of the financial statements by the Board, the directors are of the opinion that anticipated cash flows generated from the Group's operations can strengthen the Group's financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2025. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's statement of financial position, an interest in a subsidiary is stated at cost less any impairment losses (see note 1(k)(ii)).

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable) (see note 1(k)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(d) Associates *(continued)*

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)(ii)).

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investment other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iii)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(f) Other investments in debt and equity securities *(continued)*

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(ii).

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(h) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)):

- ownership interests in land and buildings held for own use;
- other properties leased for own use (see note 1(j)); and
- other items of plant and equipment, including right-of-use assets arising from leases of underlying equipment (see note 1(j)).

If ownership interests in land and buildings held for own use becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at that date of transfer is recognised in profit or loss and other comprehensive income and accumulated in land and buildings revaluation reserve. On subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write-off the cost or valuation of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- (i) Ownership interests in land and buildings held for own use and other properties leased for own use are depreciated over the unexpired term of lease.
- (ii) Freehold land is not depreciated.
- (iii) Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after date of completion.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(h) Other property, plant and equipment *(continued)*

(iv) Other items of plant and equipment, including right-of-use assets arising from leases of underlying equipment, with their estimated useful lives are as follows:

Plant and machinery	4 to 5 years
Furniture and fixtures	4 to 5 years
Moulds and tools	3 to 10 years
Motor vehicles and pleasure craft	3 to 10 years

(i) Intangible assets (other than goodwill)

Where parts of an item of other property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Club memberships	20 years
– Licensing rights	3 to 5 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(j) Leased assets *(continued)*

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(k)(ii)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(j) Leased assets *(continued)*

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

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. The rental income from operating leases is recognised in accordance with note 1(u)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loans to an associate and amount due from associate).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

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

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

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

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Measurement of ECLs *(continued)*

ECLs are measured on either of the following bases:

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

Loss allowances for trade receivables, lease-receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loans to an associate), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

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

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

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

*(i) Credit losses from financial instruments *(continued)**

Significant increases in credit risk *(continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling) for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than investment property carried at revalued amounts);
- intangible assets;
- goodwill;
- interest in associates; and
- interest in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual CGU if the allocation can be done on a reasonable and consistent basis, or to the smallest group of CGUs if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(k)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(t).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitor that are held for meeting short-term cash commitments and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(k)(i).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(q) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(u)(i)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(u) Revenue and other income *(continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

(iv) Air-conditioning, management and maintenance service charges from tenants

Air-conditioning, management and maintenance service charges from tenants are recognised when the related services are rendered.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in profit or loss and other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(x) Related parties

- (1) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others.)
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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 (1).
 - (vii) A person identified in (1)(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).
 - (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

3 REVENUE

The principal activities of the Group are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment and investment holding.

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of goods	307,360	293,842
Revenue from other sources		
– Gross rentals from investment properties that the lease payments are fixed	<u>43,800</u>	<u>49,869</u>
	<u>351,160</u>	<u>343,711</u>

Revenue from the sales of goods is recognised at the point in time when control of the goods is transferred to the customers.

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 10(c).

The Group's customer base is diversified and there is one customer with whom transactions have exceeded 10% of the Group's revenue in 2025 (2024: no customer). Details of concentrations of credit risk arising from customers are set out in note 28(a).

Further details regarding the Group's principal activities are disclosed in note 10 to these financial statements.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2025	2024
	HK\$'000	HK\$'000
Other revenue		
Interest income from loans to an associate	3,102	2,619
Other interest income	1,339	1,422
Dividend income	74	257
Air conditioning, management and maintenance service charges from tenants	4,302	4,699
Management service fee	1,496	1,496
Government grants	35	–
Sales of scrap	109	62
Sundry income	823	2,241
	<u>11,280</u>	<u>12,796</u>
Other net income/(loss)		
Net gain/(loss) on disposal of other property, plant and equipment	10	(4)
Net realised and unrealised exchange gain/(loss)	16,678	(10,594)
Net realised and unrealised gain on trading securities	588	909
Net realised and unrealised gain/(loss) on other financial assets	4,806	(5,369)
	<u>22,082</u>	<u>(15,058)</u>
	<u>33,362</u>	<u>(2,262)</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2025 HK\$'000	2024 HK\$'000
(a) Finance costs		
Interest on bank loans <i>(note 20(d))</i>	30,823	38,822
Interest on lease liabilities <i>(note 20(d))</i>	<u>560</u>	<u>909</u>
	<u>31,383</u>	<u>39,731</u>
(b) Staff costs		
Salaries, wages and other benefits	126,775	135,960
Employer's contributions to defined contribution retirement plans	<u>13,146</u>	<u>14,508</u>
	<u>139,921</u>	<u>150,468</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

5 LOSS BEFORE TAXATION (continued)

Loss before taxation is arrived at after charging/(crediting): (continued)

	2025 HK\$'000	2024 HK\$'000
(c) Other operating expenses		
Other operating expenses for the year included:		
Amortisation of intangible assets (note 12)	34	34
Addition of/(reversal of) impairment losses of		
– trade receivables (note 28(a))	5	–
– other receivables	–	(1,154)
	<u>5</u>	<u>(1,154)</u>
Auditors' remuneration- auditors of the Group		
– audit services	4,521	4,401
– non-assurance services	46	160
Auditors' remuneration – other auditors	461	684
Advertising and promotion	7,495	8,293
Building management and security service fee	6,569	5,842
Entertainment	2,191	2,608
Fuel, electricity and water	7,919	8,002
Government rent and rates	2,693	2,493
Insurance	5,003	4,594
Legal and professional fee	6,701	5,770
Office supplies	1,002	909
Expenses relating to short-term leases	1,165	489
Postage, telephone and fax	1,910	2,412
Product testing fee	574	1,091
Repair and maintenance	5,456	8,881
Research and development	1,177	413
Royalties, commission and sales service fee	11,353	9,858
Subcontracting fee	11,697	16,993
Subscription fee	147	332
Tools and consumables	1,595	1,520
Transportation and travelling	<u>12,481</u>	<u>12,312</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

5 LOSS BEFORE TAXATION *(continued)*

Loss before taxation is arrived at after charging/(crediting): *(continued)*

	2025	2024
	HK\$'000	HK\$'000
<i>(d) Other items</i>		
Depreciation <i>(note 11)</i>		
– owned assets	30,009	32,652
– right-of-use assets	10,045	9,994
Cost of inventories <i>(note 18(b))</i>	200,885	168,014
Reversal of write down of inventories <i>(note 18(b))</i>	–	(3,878)
Rental receivable from investment properties less direct outgoings of HK\$8,371,000 (2024: HK\$7,641,000)	<u>(35,429)</u>	<u>(42,228)</u>

Cost of inventories includes HK\$64,874,000 (2024: HK\$71,295,000) relating to staff costs, depreciation charges in respect of other property, plant and equipment and lease expenses, which amount is also included in the respective total amounts disclosed separately above and in the consolidated statement of profit or loss for each of these types of expenses.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	97	42
(Over)/under-provision in respect of prior years	(1)	4
	<u>96</u>	<u>46</u>
Current tax – Outside Hong Kong		
Provision for the year	3	23
Over-provision in respect of prior years	(3)	(802)
	<u>-</u>	<u>(779)</u>
Deferred tax <i>(note 24(b))</i>		
Origination and reversal of temporary differences	<u>972</u>	<u>(2,197)</u>
Income tax expense/(credit)	<u><u>1,068</u></u>	<u><u>(2,930)</u></u>

The provision for Hong Kong Profits Tax for 2025 is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year.

The Corporate Income Tax (“CIT”) rate applicable to subsidiaries registered in the People’s Republic of China (“PRC”) is 25% (2024: 25%).

The Corporation tax rates applicable to the Group’s operations in the United Kingdom (the “UK”) and the United States (the “US”) are 23.5% (2024: 23.5%) and 21% (2024: 21%) respectively.

Taxation for other subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Loss before taxation	<u>(187,928)</u>	<u>(189,230)</u>
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(32,223)	(32,394)
Tax effect of non-deductible expenses	32,901	37,659
Tax effect of non-taxable income	(3,622)	(7,635)
Tax effect of previously unrecognised tax losses utilised	(60)	(31)
Tax effect of unused tax losses not recognised	2,966	606
Tax effect of other temporary difference not recognised	1,110	(337)
Over-provision in prior years	<u>(4)</u>	<u>(798)</u>
Income tax expense/(credit)	<u>1,068</u>	<u>(2,930)</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2025				Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
Executive directors:					
Kenneth Ting Woo-shou	100	600	-	60	760
Nancy Ting Wang Wan-sun	80	300	-	-	380
Ivan Ting Tien-li	70	1,498	-	173	1,741
Lao Wai-keung	60	1,273	-	127	1,460
Non-executive director:					
Bernie Ting Wai-cheung	90	-	-	-	90
Independent non-executive directors:					
Andrew Yao Cho-fai	120	-	-	-	120
Desmond Chum Kwan-yue	120	-	-	-	120
Sabrina Chao Sih-ming	100	-	-	-	100
Liu Zhen Rong, Daryl	100	-	-	-	100
	<u>840</u>	<u>3,671</u>	<u>-</u>	<u>360</u>	<u>4,871</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

7 DIRECTORS' EMOLUMENTS *(continued)*

	2024				
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Kenneth Ting Woo-shou	100	600	-	60	760
Nancy Ting Wang Wan-sun	80	-	-	-	80
Ivan Ting Tien-li	70	1,498	-	174	1,742
Lao Wai-keung	60	1,273	-	127	1,460
Non-executive director:					
Bernie Ting Wai-cheung	80	-	-	-	80
Independent non-executive directors:					
Floyd Chan Tsoi-yin	120	-	-	-	120
Andrew Yao Cho-fai	120	-	-	-	120
Desmond Chum Kwan-yue	120	-	-	-	120
Sabrina Chao Sih-ming	90	-	-	-	90
Liu Zhen Rong, Daryl	90	-	-	-	90
	<u>930</u>	<u>3,371</u>	<u>-</u>	<u>361</u>	<u>4,662</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2024: one) director whose emoluments are set out in note 7. The aggregate of the emoluments in respect of the other four (2024: four) individuals are as follows:

	2025	2024
	HK\$'000	HK\$'000
Salaries and other emoluments	7,909	7,609
Retirement scheme contributions	53	454
	<u>7,962</u>	<u>8,063</u>

The emoluments of the four (2024: four) individuals with the highest emoluments are within the following bands:

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

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$189,593,000 (2024: HK\$186,704,000) and the weighted average of 950,588,000 ordinary shares (2024: 950,588,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The Company did not have dilutive potential ordinary shares outstanding during both 2025 and 2024. Accordingly, the diluted loss per share is the same as the basic loss per share for both 2025 and 2024.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys and model trains: The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located in Mainland China.

Property investment: The leasing of office premises, commercial building and industrial buildings to generate rental income and to gain from the appreciation in the properties' value in the long term.

Investment holding: The investment in securities.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of intangible assets, interest in associates, deferred tax assets, current tax recoverable, cash and cash equivalents, loans to an associate and other corporate assets. Segment liabilities include all liabilities with the exception of amount due to an associate, current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

10 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Revenue from external customers	307,360	293,842	43,800	49,869	-	-	351,160	343,711
Inter-segment revenue	-	-	6,205	4,763	-	-	6,205	4,763
Reportable segment revenue	<u>307,360</u>	<u>293,842</u>	<u>50,005</u>	<u>54,632</u>	<u>-</u>	<u>-</u>	<u>357,365</u>	<u>348,474</u>
Reportable segment (loss)/profit (adjusted EBITDA)	(16,755)	6,282	22,344	28,338	(7,250)	(3,485)	(1,661)	31,135
Interest income	135	228	65	1,365	4,241	2,448	4,441	4,041
Interest expenses	(19,609)	(27,707)	(11,774)	(12,024)	-	-	(31,383)	(39,731)
Depreciation and amortisation for the year	(27,959)	(26,292)	(12,129)	(16,388)	-	-	(40,088)	(42,680)
Reportable segment assets	511,190	528,957	1,947,830	2,055,283	299,563	256,215	2,758,583	2,840,455
Additions to non-current segment assets during the year	12,253	27,044	25,228	10,719	6,364	6,216	43,845	43,979
Reportable segment liabilities	<u>884,852</u>	<u>838,613</u>	<u>184,092</u>	<u>149,109</u>	<u>4,737</u>	<u>4,318</u>	<u>1,073,681</u>	<u>992,040</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

10 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	357,365	348,474
Elimination of inter-segment revenue	<u>(6,205)</u>	<u>(4,763)</u>
Consolidated revenue <i>(note 3)</i>	<u>351,160</u>	<u>343,711</u>
Profit or loss		
Reportable segment (loss)/profit	(1,661)	31,135
Elimination of inter-segment profit	<u>-</u>	<u>-</u>
Reportable segment (loss)/profit derived from the Group's external customers	(1,661)	31,135
Other revenue and other net income/(loss)	33,362	(2,262)
Depreciation and amortisation	(40,088)	(42,680)
Finance costs	(31,383)	(39,731)
Share of profits less losses of associates	(38,164)	(19,355)
Impairment loss of loans to an associate	-	(3,969)
Deficit on revaluation of investment properties	<u>(109,994)</u>	<u>(112,368)</u>
Consolidated loss before taxation	<u>(187,928)</u>	<u>(189,230)</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

10 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities *(continued)*

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Assets		
Reportable segment assets	2,758,583	2,840,455
Elimination of inter-segment receivables	<u>(249,264)</u>	<u>(219,391)</u>
	2,509,319	2,621,064
Intangible assets	250	284
Interest in associates	26,966	55,655
Loans to an associate	–	61,114
Current tax recoverable	13	61
Deferred tax assets	8,826	22,289
Cash and cash equivalents	<u>64,851</u>	<u>48,934</u>
Consolidated total assets	<u><u>2,610,225</u></u>	<u><u>2,809,401</u></u>
Liabilities		
Reportable segment liabilities	1,073,681	992,040
Elimination of inter-segment payables	<u>(249,264)</u>	<u>(219,297)</u>
	824,417	772,743
Amount due to an associate	2,299	60,856
Current tax payable	19,889	19,073
Deferred tax liabilities	<u>19,656</u>	<u>31,619</u>
Consolidated total liabilities	<u><u>866,261</u></u>	<u><u>884,291</u></u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

10 SEGMENT REPORTING *(continued)*

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, non-current deposits and prepayments and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and the location of operations, in the case of interest in associates and deposits and prepayments.

	Revenue from external customers		Specified non-current assets	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Hong Kong (place of domicile)	43,041	45,669	1,810,509	1,925,169
Chinese Mainland	11,497	5,937	43,349	49,289
North America	122,001	134,206	98,678	129,815
Europe	169,589	151,321	52,835	52,926
Japan	4,581	3,707	57,771	58,317
Singapore	190	547	47,595	43,668
Others	261	2,324	-	-
	<u>308,119</u>	<u>298,042</u>	<u>300,228</u>	<u>334,015</u>
	<u><u>351,160</u></u>	<u><u>343,711</u></u>	<u><u>2,110,737</u></u>	<u><u>2,259,184</u></u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use carried at cost		Other properties leased for own use carried at cost	Other items of plant and equipment	Sub-total	Investment properties		Total
	In Hong Kong	Outside Hong Kong	HK\$'000	HK\$'000		In Hong Kong	Outside Hong Kong	
	HK\$'000	HK\$'000				HK\$'000	HK\$'000	
Cost or valuation:								
At 1 January 2024	83,431	89,127	51,879	831,790	1,056,227	1,961,006	62,635	3,079,868
Exchange adjustments	-	(608)	(1,437)	(5,070)	(7,115)	-	(2,681)	(9,796)
Additions	-	3,494	200	23,204	26,898	6,672	-	33,570
Disposals	-	-	-	(2,355)	(2,355)	-	-	(2,355)
Fair value adjustment	-	-	-	-	-	(110,868)	(1,500)	(112,368)
At 31 December 2024	<u>83,431</u>	<u>92,013</u>	<u>50,642</u>	<u>847,569</u>	<u>1,073,655</u>	<u>1,856,810</u>	<u>58,454</u>	<u>2,988,919</u>
Representing								
Cost	83,431	92,013	50,642	847,569	1,073,655	-	-	1,073,655
Valuation - 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,856,810</u>	<u>58,454</u>	<u>1,915,264</u>
	<u>83,431</u>	<u>92,013</u>	<u>50,642</u>	<u>847,569</u>	<u>1,073,655</u>	<u>1,856,810</u>	<u>58,454</u>	<u>2,988,919</u>
At 1 January 2025	83,431	92,013	50,642	847,569	1,073,655	1,856,810	58,454	2,988,919
Exchange adjustments	-	1,822	2,281	13,541	17,644	-	3,269	20,913
Additions	-	11,357	285	19,359	31,001	1,605	799	33,405
Disposals	-	-	(1,115)	(545)	(1,660)	-	-	(1,660)
Fair value adjustment	-	-	-	-	-	(110,437)	443	(109,994)
At 31 December 2025	<u>83,431</u>	<u>105,192</u>	<u>52,093</u>	<u>879,924</u>	<u>1,120,640</u>	<u>1,747,978</u>	<u>62,965</u>	<u>2,931,583</u>
Representing								
Cost	83,431	105,192	52,093	879,924	1,120,640	-	-	1,120,640
Valuation - 2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,747,978</u>	<u>62,965</u>	<u>1,810,943</u>
	<u>83,431</u>	<u>105,192</u>	<u>52,093</u>	<u>879,924</u>	<u>1,120,640</u>	<u>1,747,978</u>	<u>62,965</u>	<u>2,931,583</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Ownership interests in land and buildings held for own use carried at cost		Other properties leased for own use carried at cost	Other items of plant and equipment	Sub-total HK\$'000	Investment properties		Total HK\$'000
	In Hong Kong HK\$'000	Outside Hong Kong HK\$'000	HK\$'000	HK\$'000		In Hong Kong HK\$'000	Outside Hong Kong HK\$'000	
	Accumulated depreciation and impairment:							
At 1 January 2024	22,761	26,290	33,441	736,601	819,093	-	-	819,093
Exchange adjustments	-	(273)	(1,013)	(3,418)	(4,704)	-	-	(4,704)
Charge for the year (note 5(d))	3,665	2,584	5,592	30,805	42,646	-	-	42,646
Written back on disposals	-	-	-	(2,185)	(2,185)	-	-	(2,185)
At 31 December 2024	<u>26,426</u>	<u>28,601</u>	<u>38,020</u>	<u>761,803</u>	<u>854,850</u>	-	-	<u>854,850</u>
At 1 January 2025	26,426	28,601	38,020	761,803	854,850	-	-	854,850
Exchange adjustments	-	827	1,807	8,914	11,548	-	-	11,548
Charge for the year (note 5(d))	3,723	2,667	5,655	28,009	40,054	-	-	40,054
Written back on disposals	-	-	(1,090)	(545)	(1,635)	-	-	(1,635)
At 31 December 2025	<u>30,149</u>	<u>32,095</u>	<u>44,392</u>	<u>798,181</u>	<u>904,817</u>	-	-	<u>904,817</u>
Net book value:								
At 31 December 2025	<u>53,282</u>	<u>73,097</u>	<u>7,701</u>	<u>81,743</u>	<u>215,823</u>	<u>1,747,978</u>	<u>62,965</u>	<u>2,026,766</u>
At 31 December 2024	<u>57,005</u>	<u>63,412</u>	<u>12,622</u>	<u>85,766</u>	<u>218,805</u>	<u>1,856,810</u>	<u>58,454</u>	<u>2,134,069</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Impairment loss of property, plant and equipment

During the years ended 31 December 2025 and 2024, the Group's management identified that the toys and model trains segment, classified as a CGU (the "CGU") of the Group, had under-performed and estimated the recoverable amount of the CGU. The Group assessed the recoverable amount of the CGU of the toys and model trains segment and concluded that no impairment losses or reversal of previously recognised impairment losses is required.

(b) Fair value measurement of investment properties

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Investment properties at valuation:		
– In Hong Kong	1,747,978	1,856,810
– Outside Hong Kong	<u>62,965</u>	<u>58,454</u>
At 31 December	<u><u>1,810,943</u></u>	<u><u>1,915,264</u></u>

(i) Fair value hierarchy

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

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

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(i) Fair value hierarchy *(continued)*

	Fair value as at 31 December 2025 HK\$'000	Fair value measurements as at 31 December 2025 categorised into		
		Level 1	Level 2	Level 3
		HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	1,747,978	–	–	1,747,978
– Industrial – United Kingdom	13,345	–	–	13,345
– Industrial – Singapore	39,684	–	–	39,684
– Commercial – Japan	9,936	–	–	9,936

	Fair value as at 31 December 2024 HK\$'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1	Level 2	Level 3
		HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	1,856,810	–	–	1,856,810
– Industrial – United Kingdom	12,398	–	–	12,398
– Industrial – Singapore	37,488	–	–	37,488
– Commercial – Japan	8,568	–	–	8,568

During the year ended 31 December 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2024: HK\$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Fair value measurement of investment properties (continued)

(i) Fair value hierarchy (continued)

All of the Group's investment properties were revalued as at 31 December 2025 and 2024. The valuations of investment properties in Hong Kong were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuations of investment properties in the United Kingdom were carried out by an independent firm of surveyors, Harry Ward, who have among their staff Members of the Royal Institution of Chartered Surveyors with recent experience in the location and category of property being valued. The valuations of investment properties in Singapore were carried out by an independent firm of surveyors, GB Global Pte Ltd, who have among their staff Fellows of the Singapore Institute of Surveyors and Valuers with recent experience in the location and category of property being valued. The valuations of investment properties in Japan were carried out by an independent firm of surveyors, Hayasaka Real Estate Appraisal Co. Ltd, who have among their staff Fellows of the Japan Association of Real Estate Appraisers with recent experience in the location and category of property being valued. Management have discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable inputs	Range	Weighted average
Investment properties				
– Industrial – Hong Kong	Income capitalisation approach	Market rental value	HK\$14.3 to 15.8/ sq. foot/month (2024: 15.1 to 16.7/ sq. foot/month)	HK\$14.9/ sq. foot/month (2024: HK\$14.5/ sq. foot/month)
		Capitalisation rate	N/A (2024: N/A)	3.95% (2024: 3.90%)
Investment properties				
– Industrial – Hong Kong	Direct comparison approach	Premium (discount) on quality of the buildings	(5%) to (1%) (2024: (5%) to 5%)	(2%) (2024: 0%)
Investment properties				
– Industrial – United Kingdom	Direct comparison approach	Premium (discount) on quality of the buildings	(25%) to 5% (2024: (25%) to (10%))	(9%) (2024: (10%))

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(ii) Information about Level 3 fair value measurements *(continued)*

	Valuation techniques	Unobservable inputs	Range	Weighted average
Investment properties				
- Industrial - United Kingdom	Income capitalisation approach	Market rental value	GBP5.07 to 5.7/ sq. foot/month (2024: GBP3.5 to 7.0/ sq. foot/month)	GBP5.5/ sq. foot/month (2024: GBP5.5/ sq. foot/month)
		Premium (discount) on quality of the buildings	(40%) to 5% (2024: (15%) to 25%)	(21%) (2024: 5%)
		Reversionary yield	N/A (2024: N/A)	8.1% (2024: 8.15%)
Investment properties				
- Industrial - Singapore	Direct comparison approach	Premium (discount) on size of the buildings	(6%) to (5%) (2024: (8%) to (1%))	(6.0%) (2024: (4.4%))
		Premium (discount) on location of the buildings	N/A (2024: N/A)	N/A (2024: (5%))
		Premium (discount) on condition of the buildings	N/A (2024: (20%) to 0%)	N/A (2024: (5.7%))
		Premium (discount) on renovation	N/A (2024: N/A)	10% (2024: 10%)
		Premium (discount) on time factor	N/A (2024: 2.5% to 3.7%)	N/A (2024: 3.3%)

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

*(ii) Information about Level 3 fair value measurements *(continued)**

	Valuation techniques	Unobservable inputs	Range	Weighted average
Investment properties – Commercial – Japan	Cost approach	Replacement price In land	JPY215,000 to 255,000/sq. meter (2024: JPY190,000 to 230,000/sq. meter)	JPY235,000/sq. meter (2024: JPY210,000/sq. meter)
		Replacement price In building	JPY225,000 to 235,000/ sq. meter (2024: JPY220,000 to 280,000/sq. meter)	JPY255,000/sq. meter (2024: JPY250,000/sq meter)
		Depreciation Rate	1.1% to 1.7% (2024: 1.1% to 1.7%)	1.7% (2024: 1.7%)
	Income capitalisation approach	Market rental value	JPY2,033 to 2,633/sq. meter/month (2024: JPY2,033 to 2,633/sq. meter/month)	JPY2,333/sq. meter/month (2024: JPY2,333/sq. meter/month)
		Capitalisation rate	5.2% to 5.6% (2024: 5.4% to 6.0%)	5.4% (2024: 5.7%)

The fair value of investment properties is measured either under income capitalisation approach, direct comparison approach or cost approach.

The fair value of investment properties under income capitalisation approach is determined on an open market value basis by capitalising the current rent derived from the existing tenancies with the provision for any reversionary income potential. The capitalisation rate used in income capitalisation approach has been adjusted for the expected market rental growth, occupancy rate and quality and location of the buildings. The fair value measurement is positively correlated to the market rental value and negatively correlated to the risk-adjusted capitalisation rate.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(ii) Information about Level 3 fair value measurements *(continued)*

The fair value of investment properties under direct comparison approach is determined on an open market value basis by making reference to the comparable sales evidence in the relevant locality.

The fair value of investment properties under cost approach is determined on cost approach basis by making reference to the average cost of purchasing and building a similar property in the same location in the relevant locality.

The movements in the balance of these Level 3 fair value measurements during the year are as follows:

	2025	2024
	HK\$'000	HK\$'000
Investment property – Industrial – Hong Kong:		
At 1 January	1,856,810	1,961,006
Additions	1,605	6,672
Fair value adjustment	(110,437)	(110,868)
	<u>1,747,978</u>	<u>1,856,810</u>
	2025	2024
	HK\$'000	HK\$'000
Investment properties – Industrial and commercial – Outside Hong Kong:		
At 1 January	58,454	62,635
Additions	799	–
Exchange adjustment	3,269	(2,681)
Fair value adjustment	443	(1,500)
	<u>62,965</u>	<u>58,454</u>

Fair value adjustment of investment properties is recognised in the line item “deficit on revaluation of investment properties” in the consolidated statement of profit or loss.

All the gains/(losses) recognised in profit and loss for the year arose from the properties held at the end of the reporting period.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2025 HK\$'000	2024 HK\$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term between 10 and 50 years	(i)	53,282	57,005
Other properties leased for own use, carried at depreciated cost	(ii)	7,701	12,622
Other items of plant and equipment, carried at depreciated cost	(iii)	825	1,476
		<u>61,808</u>	<u>71,103</u>
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of between 10 and 50 years		<u>1,747,978</u>	<u>1,856,810</u>
		<u>1,809,786</u>	<u>1,927,913</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	3,723	3,665
Other properties leased for own use	5,655	5,592
Plant and equipment	667	737
	<u>10,045</u>	<u>9,994</u>
Interest on lease liabilities (note 5(a))	560	909
Expense relating to short-term leases (note 5(c))	<u>1,165</u>	<u>489</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(c) Right-of-use assets *(continued)*

During the year, additions to right-of-use assets were HK\$1,890,000 (2024: HK\$8,172,000). This amount included the addition of a leasehold property of HK\$1,605,000 (2024: HK\$6,672,000), additions of properties leased for own use of HK\$285,000 (2024: HK\$200,000) and additions of other items of plant and equipment of HK\$Nil (2024: HK\$1,300,000) related to the capitalised lease payments payable under new lease agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(d) and 23, respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds an industrial building for its toys business. The Group is the registered owner of the property interest, including the share in the underlying land. Lump sum payments were made upfront to acquire the right to use the property, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, warehouses, staff quarters and factories through tenancy agreements. The leases typically run for an initial period of 2 to 15 years.

(iii) Other items of plant and equipment

The Group leases equipment under leases expiring from 2 to 6 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(d) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2025	2024
	HK\$'000	HK\$'000
Within 1 year	<u>16,899</u>	<u>22,600</u>

(e) Secured assets

Investment properties and leasehold land and buildings of the Group with total carrying values of HK\$1,660,607,000 (2024: HK\$1,757,396,000) and HK\$79,222,000 (2024: HK\$71,773,000) respectively, were pledged to various banks to secure banking facilities granted to the Group (see note 22).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

12 INTANGIBLE ASSETS

	Licensing HK\$'000	Trademark HK\$'000	Club membership HK\$'000	Total HK\$'000
Cost:				
At 1 January 2024	5,845	87	868	6,800
Exchange adjustments	(145)	-	-	(145)
At 31 December 2024	5,700	87	868	6,655
At 1 January 2025	5,700	87	868	6,655
Exchange adjustments	435	-	-	435
At 31 December 2025	6,135	87	868	7,090
Accumulated amortisation:				
At 1 January 2024	5,845	-	637	6,482
Exchange adjustments	(145)	-	-	(145)
Charge for the year (note 5(c))	-	-	34	34
At 31 December 2024	5,700	-	671	6,371
At 1 January 2025	5,700	-	671	6,371
Exchange adjustments	435	-	-	435
Charge for the year (note 5(c))	-	-	34	34
At 31 December 2025	6,135	-	705	6,840
Net book value:				
At 31 December 2025	-	87	163	250
At 31 December 2024	-	87	197	284

The amortisation charge for the year is included in “other operating expenses” in the consolidated statement of profit or loss.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

13 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activities
				The Company	A subsidiary	
Apple Park Limited	Hong Kong	Hong Kong	1,000 shares	-	100%	Investment holding
Bachmann Asia Limited	Hong Kong	Hong Kong	2 shares	-	100%	Agent for sale of toys
Bachmann Trading (Shanghai) Limited	PRC	PRC	Registered capital RMB24,000,000	-	100%	Trading of toys
Bachmann Europe Plc	UK	UK	2,050,000 shares of £1 each	-	100%	Trading of toys
Bachmann Industries, Inc.	United States of America ("USA")	USA	4,010,100 shares of US\$1 each	-	100%	Trading of toys
Dongguan Feng Da Electronics Company Limited <i>(Note 1)</i>	PRC	PRC	Registered capital HK\$8,000,000	-	100%	Manufacture of toys
Dongguan Hebang Jingji Intelligent Manufacturing Technology Company Limited <i>(Note 2)</i>	PRC	PRC	Registered capital RMB4,800,000	-	52%	Manufacture and sale of moulds
Faith World Development Limited	Japan	Hong Kong	1 share	-	100%	Property development and investment
Great Hope Investment Limited	British Virgin Islands ("BVI")	BVI	1 share of US\$1	-	100%	Investment holding

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

13 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activities
				The Company	A subsidiary	
Kader Industrial Company Limited	Hong Kong	Hong Kong	412,532,000 shares	100%	-	Manufacture and trading of toys, and property investment
Kader Properties Management Company Limited	Hong Kong	Hong Kong	100 shares and 1,001,000 non-voting deferred shares	-	100%	Provision of management services
K Cellars (Hong Kong) Limited	Hong Kong	Hong Kong	1,000 shares	-	100%	Sub-letting of wine cellar
K Cellars (Singapore) Pte. Limited	Singapore	Singapore	100,000 shares	-	100%	Sub-letting of wine cellar
Shanghai Organic Farm Buddies Children Products Limited <i>(Note 1)</i>	PRC	PRC	Registered capital RMB5,000,000	-	100%	Trading of toys
Shanghai Pingbai Children Products Company Limited <i>(Note 1)</i>	PRC	PRC	Registered capital RMB28,000,000	-	100%	Trading of toys
Technic International Development Limited	Hong Kong	Hong Kong	1 share	-	100%	Investment holding
Fortune Castle International Limited	Hong Kong	Hong Kong	1 share	-	100%	Investment holding
Wise Huge Investment Limited	Hong Kong	Hong Kong	1 share	100%	-	Investment holding

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

13 INTEREST IN SUBSIDIARIES (continued)

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activities
				The Company	A subsidiary	
Kader Investment Holdings Pte. Limited	Singapore	Singapore	10,000 shares	100%	-	Investment holding
Kader Properties (Singapore) Pte. Limited	Singapore	Singapore	100,000 shares	-	100%	Property investment

Notes:

- The entity is a wholly-owned foreign enterprise registered in the PRC.
- The entity is a co-operative joint venture registered in PRC.

14 INTEREST IN ASSOCIATES AND LOANS TO ASSOCIATES

	2025 HK\$'000	2024 HK\$'000
Non-current assets		
Share of net assets	-	12,911
Amount due from an associate	<u>26,966</u>	<u>42,744</u>
	<u>26,966</u>	<u>55,655</u>
Current assets		
Loans to associates	-	80,095
Less: impairment losses	<u>-</u>	<u>(18,981)</u>
	<u>-</u>	<u>61,114</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

14 INTEREST IN ASSOCIATES AND LOANS TO ASSOCIATES *(continued)*

Everline Associates, LLC (“Everline”)

As at 31 December 2025, the Group had an amount due from Everline of HK\$26,966,000 (2024: HK\$42,744,000) which is unsecured and interest-free. Having regard to the nature of the funding arrangement and the fact that settlement is neither planned nor likely to occur in the foreseeable future, the Group considers this balance to be a long-term interest that, in substance, forms part of its net investment in Everline.

RedwoodVentures Limited (“Redwood”)

As at 31 December 2025, the Group’s funding exposure to Redwood comprised principal of HK\$66,669,000 (2024: HK\$63,022,000) and accrued interest receivable of HK\$20,175,000 (2024: HK\$17,073,000). The funding is unsecured, interest-bearing at 4% per annum (2024: 4% per annum).

During the year ended 31 December 2025, the Group reassessed the substance of its funding arrangement with Redwood in light of the revised terms and the Group’s continued funding support to Redwood. Following that reassessment, the Group determined that the Redwood balance is a long-term interest for which settlement is neither planned nor likely to occur in the foreseeable future and which, in substance, forms part of the Group’s net investment in Redwood. Accordingly, the balance was presented as a non-current asset as at 31 December 2025.

Long-term interests that form part of the Group’s net investment in an associate are accounted for in accordance with HKFRS 9, to the extent applicable, and are also included in the Group’s interest in the associate for the purposes of applying the loss-allocation requirements under HKAS 28. As Redwood had accumulated losses in prior years and the Group had recognised obligations to absorb losses in excess of its equity interest in accordance with the relevant contractual arrangements, the reassessment in 2025 resulted in the Redwood long-term interest being included within the Group’s interest in Redwood for HKAS 28 purposes. Consequently, the previously recognised loss-absorption obligation was reduced to the extent absorbed by that long-term interest.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

14 INTEREST IN ASSOCIATES AND LOANS TO ASSOCIATES (continued)

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available.

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by a subsidiary	Held by an associate	
Allman Holdings Limited	Incorporated	BVI	1,440 shares of US\$1 each	36.1%	36.1%	-	Investment holding
Pacific Sky Ventures Inc. ("PSV")	Incorporated	USA	1,000 shares of US\$1 each	36.1%	-	100.0%	Investment holding
Redwood	Incorporated	Hong Kong	43,256,000 shares	49.7%	49.7%	-	Trading of toys
Everline	Limited liability company	USA	Note	37.4%	15.0%	62.0%	Resort operation, and the sale and management of condominium apartments
Snow King Properties, LLC ("SKP")	Limited liability company	USA	Note	37.4%	15.0%	62.0%	Properties development and investment

Note:

Everline and SKP does not have issued share capital, the interests in Everline and SKP represent the interests in capital account balance.

All of the above associates are accounted for using the equity method in the consolidated financial statements and considered not to be individually material.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

14 INTEREST IN ASSOCIATES AND LOANS TO ASSOCIATES (continued)

Summary financial information on associates

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenue HK\$'000	Loss HK\$'000
2025					
Group's effective interest	<u>195,021</u>	<u>(243,121)</u>	<u>(48,100)</u>	<u>133,287</u>	<u>(38,164)</u>
2024					
Group's effective interest	<u>220,870</u>	<u>(227,436)</u>	<u>(6,566)</u>	<u>142,794</u>	<u>(19,355)</u>

15 DEPOSITS AND PREPAYMENTS

At 31 December 2025, deposits and prepayments for property, plant and equipment are expected to be recognised as property, plant and equipment in the future and classified as non-current assets.

16 OTHER FINANCIAL ASSETS

	2025 HK\$'000	2024 HK\$'000
Non-current assets		
Other financial assets measured at FVPL (note 28(f)(i)):		
– Investment funds	30,485	22,033
– Investment in unlisted companies	13,037	12,171
– Unlisted convertible notes	<u>13,898</u>	<u>13,898</u>
	<u>57,420</u>	<u>48,102</u>

17 TRADING SECURITIES

	2025 HK\$'000	2024 HK\$'000
Investment in listed companies at FVPL (note 28(f)(i))		
– Listed outside Hong Kong	<u>2,927</u>	<u>4,019</u>
	<u>2,927</u>	<u>4,019</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2025 HK\$'000	2024 HK\$'000
Raw materials	5,356	7,697
Work in progress	10,813	9,527
Finished goods	<u>240,786</u>	<u>252,414</u>
	<u>256,955</u>	<u>269,638</u>

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows (note 5(d)):

	2025 HK\$'000	2024 HK\$'000
Carrying amount of inventories sold	200,885	171,892
Reversal of write-down of inventories	<u>-</u>	<u>(3,878)</u>
	<u>200,885</u>	<u>168,014</u>

19 TRADE AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade debtors, net of loss allowance	73,319	67,139
Amounts due from related companies	2,100	2,094
Deposits and prepayments	<u>33,077</u>	<u>26,827</u>
	<u>108,496</u>	<u>96,060</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Amounts due from related companies are unsecured, interest-free and repayable on demand. The related companies have a common director and shareholder with the Company.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

19 TRADE AND OTHER RECEIVABLES *(continued)*

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2025	2024
	HK\$'000	HK\$'000
Within 1 month	34,454	18,386
1 to 3 months	31,922	41,640
3 to 12 months	345	4,923
Over 12 months	6,598	2,190
	73,319	67,139

Trade debtors are due within 90 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2025	2024
	HK\$'000	HK\$'000
Deposits with other financial institution	656	152
Cash at bank and on hand	64,195	48,782
Cash and cash equivalents in the consolidated cash flow statements	64,851	48,934

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of loss before taxation to cash generated from operations:

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Loss before taxation		(187,928)	(189,230)
Adjustments for:			
Deficit on revaluation of investment properties	11	109,994	112,368
Depreciation	11	40,054	42,646
Amortisation of intangible assets	12	34	34
Finance costs	5(a)	31,383	39,731
Interest income	4	(4,441)	(4,041)
Dividend income	4	(74)	(257)
Share of profits less losses of associates	14	38,164	19,355
Impairment loss of loans to an associate		–	3,969
Addition of/(reversal of) impairment loss on trade and other receivables	5(c)	5	(1,154)
Net (gain)/loss on disposal of other property, plant and equipment	4	(10)	4
Net realised and unrealised gain on trading securities	4	(588)	(909)
Net realised and unrealised (gain)/loss on other financial assets	4	(4,806)	5,368
Foreign exchange difference		299	(464)
Reversal of write-down of inventories	18(b)	–	(3,878)
Reversal of provision for long service payments	26	(74)	(59)
Changes in working capital:			
Decrease in inventories		12,683	19,582
(Increase)/decrease in trade and other receivables		(11,304)	10,962
Increase/(decrease) in trade and other payables and contract liabilities (excluding rental deposits)		15,984	(14,963)
(Decrease)/increase in rental deposits received		(2,981)	85
Cash generated from operations		<u>36,394</u>	<u>39,149</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Major non-cash transactions:

During the year ended 31 December 2025 and 2024, the Group has transferred prepayments or deposits for renovation of an industrial property in Hong Kong and acquisition of an investment property outside Hong Kong of HK\$831,000 (2024: HK\$3,936,000) and HK\$Nil (2024: HK\$177,000) to investment properties and property, plant and equipment respectively.

(d) Reconciliation of liabilities arising from financing activities:

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

	Bank loans HK\$'000 (Note 22)	Lease liabilities HK\$'000 (Note 23)	Total HK\$'000
As at 1 January 2025	673,714	18,581	692,295
Changes from financing cash flows:			
Proceeds from new bank loans	790,000	–	790,000
Repayment of bank loans	(746,201)	–	(746,201)
Capital element of lease rentals paid	–	(8,226)	(8,226)
Interest element of lease rentals paid	–	(560)	(560)
Bank borrowing costs paid	(30,823)	–	(30,823)
Total changes from financing cash flows	12,976	(8,786)	4,190
Exchange adjustments	2,256	657	2,913
Other changes:			
Interest on bank loans and other borrowings (note 5(a))	30,823	–	30,823
Interest on lease liabilities (note 5(a))	–	560	560
Decrease in lease liabilities from early termination of leases during the year	–	(26)	(26)
Increase in lease liabilities from entering into new leases during the year	–	285	285
	30,823	819	31,642
As at 31 December 2025	719,769	11,271	731,040

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Reconciliation of liabilities arising from financing activities *(continued)*:

	Bank loans <i>HK\$'000</i> <i>(Note 22)</i>	Lease liabilities <i>HK\$'000</i> <i>(Note 23)</i>	Total <i>HK\$'000</i>
As at 1 January 2024	659,014	25,680	684,694
Changes from financing cash flows:			
Proceeds from new bank loans	832,000	–	832,000
Repayment of bank loans	(816,125)	–	(816,125)
Capital element of lease rentals paid	–	(8,018)	(8,018)
Interest element of lease rentals paid	–	(909)	(909)
Bank borrowing costs paid	(38,822)	–	(38,822)
Total changes from financing cash flows	(22,947)	(8,927)	(31,874)
Exchange adjustments	(1,175)	(581)	(1,756)
Other changes:			
Interest on bank loans and other borrowings <i>(note 5(a))</i>	38,822	–	38,822
Interest on lease liabilities <i>(note 5(a))</i>	–	909	909
Increase in lease liabilities from entering into new leases during the year	–	1,500	1,500
	38,822	2,409	41,231
As at 31 December 2024	673,714	18,581	692,295

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(e) Total cash outflow for leases

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within operating cash flows	1,165	489
Within investing cash flows	1,572	2,736
Within financing cash flows	<u>8,786</u>	<u>8,927</u>
	<u>11,523</u>	<u>12,152</u>

These amounts relate to the following:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Lease rentals paid	9,951	9,416
Additions in leasehold properties	<u>1,572</u>	<u>2,736</u>
	<u>11,523</u>	<u>12,152</u>

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade and other payables		
Creditors and accrued charges	81,142	65,575
Rental deposits <i>(note 25)</i>	11,387	14,368
Amount due to a related company	138	138
Amount due to an associate	<u>2,299</u>	<u>60,856</u>
	----- 94,966	----- 140,937
Contract liabilities		
Forward sales deposits	----- 696	----- 279
	<u>95,662</u>	<u>141,216</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

(a) Trade and other payables

All of the trade and other payables, except for the amounts due to related companies and an associate, are expected to be settled or recognised as income within one year or are repayable on demand.

Amount due to a related company and an associate are unsecured, interest-free and repayable on demand. The related company was controlled by the controlling shareholder of the Company.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2025	2024
	HK\$'000	HK\$'000
Within 1 month	11,372	4,141
Over 1 month but within 3 months	8,179	7,097
Over 3 months but within 6 months	1,195	4,478
Over 6 months	783	254
	21,529	15,970

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities

Typical payment terms which impact on the amounts of contract liabilities recognised are as follows:

The Group receives advances from certain customers for sale of goods when they sign sale and purchase agreement. These advances are recognised as contract liabilities until the customers take possession of and accepts the products.

Movements in contract liabilities

	2025	2024
	HK\$'000	HK\$'000
Balance at 1 January	279	1,124
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(279)	(1,124)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	673	292
Exchange adjustments	23	(13)
Balance at 31 December	<u>696</u>	<u>279</u>

The amount of forward sales deposits received are expected to be recognised as income within one year.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

22 BANK LOANS

At 31 December, the bank loans were repayable as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within 1 year or on demand	695,199	636,660
After 1 year but within 2 years	1,092	12,484
After 2 years but within 5 years	3,276	3,276
After 5 years	20,202	21,294
	<u>24,570</u>	<u>37,054</u>
	<u>719,769</u>	<u>673,714</u>

At 31 December, the bank loans were as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Bank loans		
– Secured	<u>719,769</u>	<u>673,714</u>

At 31 December 2025, investment properties and leasehold land and buildings of the Group with aggregate net carrying value of HK\$1,739,829,000 (2024: HK\$1,829,169,000) were pledged to various banks to secure the bank loans and overdrafts granted to the Group. Details of the secured assets are as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Investment properties (<i>note 11(e)</i>)	1,660,607	1,757,396
Ownership interest in land and buildings (<i>note 11(e)</i>)	79,222	71,773
	<u>1,739,829</u>	<u>1,829,169</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

22 BANK LOANS (continued)

All of the Group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related loans would become payable on demand. The Group did not identify any difficulties complying with the covenants. Further details of the covenants and the Group's management of liquidity risk are set out in note 28(b). As at 31 December 2025, none of the covenants relating to drawn down facilities had been breached (2024: None).

Further details of the Group's management of liquidity risk are set out in note 28(b).

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	8,511	7,994
After 1 year but within 2 years	2,129	7,967
After 2 years but within 5 years	618	2,309
After 5 years	13	311
	<u>2,760</u>	<u>10,587</u>
	<u>11,271</u>	<u>18,581</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2025	2024
	HK\$'000	HK\$'000
Hong Kong Profits Tax for the year	97	42
Provisional Profits Tax refunded/(paid)	19	(55)
Balance of Profits Tax provision relating to prior years	(58)	(43)
	58	(56)
Tax outside Hong Kong for the year	3	23
Tax outside Hong Kong paid	(10)	(12)
Balance of tax provision outside Hong Kong relating to prior years	19,825	19,057
	19,818	19,068
	19,876	19,012
Representing:		
Current tax recoverable	13	61
Current tax payable	(19,889)	(19,073)
	(19,876)	(19,012)

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates the tax implications of the transactions conducted, and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislation, and interpretation thereof. Where the final outcome is different from the current assessment, the income tax provisions recognised could be affected.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation HK\$'000	Depreciation charge of right-of-use assets HK\$'000	Lease liabilities HK\$'000	Revaluation of land and buildings HK\$'000	Provisions and allowances HK\$'000	Tax losses HK\$'000	Total HK\$'000
Deferred tax arising from:							
At 1 January 2024	22,123	4,871	(6,420)	10,587	(11,909)	(7,587)	11,665
Charged/(credited) to							
profit or loss (note 6(a))	1,295	(1,384)	1,775	-	38	(3,921)	(2,197)
Exchange adjustments	(230)	36	-	-	56	-	(138)
At 31 December 2024	<u>23,188</u>	<u>3,523</u>	<u>(4,645)</u>	<u>10,587</u>	<u>(11,815)</u>	<u>(11,508)</u>	<u>9,330</u>
At 1 January 2025	23,188	3,523	(4,645)	10,587	(11,815)	(11,508)	9,330
Charged/(credited) to							
profit or loss (note 6(a))	811	(1,307)	1,780	-	1,481	(1,793)	972
Exchange adjustments	692	93	(93)	-	(164)	-	528
At 31 December 2025	<u>24,691</u>	<u>2,309</u>	<u>(2,958)</u>	<u>10,587</u>	<u>(10,498)</u>	<u>(13,301)</u>	<u>10,830</u>

(ii) Reconciliation to the consolidated statement of financial position

	2025 HK\$'000	2024 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	8,826	22,289
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(19,656)</u>	<u>(31,619)</u>
	<u>(10,830)</u>	<u>(9,330)</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$288,657,000 (2024: HK\$273,984,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses of the Group amounting to HK\$42,498,000 (2024: HK\$39,928,000) does not expire under current tax legislation, while the remaining tax losses amounting to HK\$246,159,000 (2024: HK\$234,056,000) will expire at various dates up to and including 2045 as follows:

	2025	2024
	HK\$'000	HK\$'000
Expiring in year:		
2028	11,961	11,961
2029	23,790	23,790
2030	29,250	29,250
2031	31,629	31,629
2032	15,826	15,826
2035	19,406	19,406
2036	29,081	29,081
2037	9,478	9,478
2038	17,160	17,160
2039	21,971	21,971
2040	6,888	6,888
2042	4,959	4,959
2043	1,531	1,531
2044	11,126	11,126
2045	12,103	–
	246,159	234,056
No expiry date	42,498	39,928
	288,657	273,984

25 RENTAL DEPOSITS

Rental deposits represent amount of rental deposits received which are expected to be settled after more than one year.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

26 ACCRUED EMPLOYEE BENEFITS

	2025 HK\$'000	2024 HK\$'000
At 1 January	88	147
Reversal of provision made	<u>(74)</u>	<u>(59)</u>
At 31 December	<u><u>14</u></u>	<u><u>88</u></u>

Accrued employee benefits represent provision for long service payments in respect of the Group's employees on termination of employment in accordance with the Hong Kong Employment Ordinance.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2024	95,059	185,138	9,347	175,594	301,880	767,018
Changes in equity for 2024: Loss and total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,643</u>	<u>4,643</u>
Balance at 31 December 2024 and 1 January 2025	95,059	185,138	9,347	175,594	306,523	771,661
Changes in equity for 2025: Loss and total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,962)</u>	<u>(43,962)</u>
Balance at 31 December 2025	<u><u>95,059</u></u>	<u><u>185,138</u></u>	<u><u>9,347</u></u>	<u><u>175,594</u></u>	<u><u>262,561</u></u>	<u><u>727,699</u></u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2025 (2024:HK\$Nil).

(c) Issued share capital

	2025		2024	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid:				
At the beginning and the end of the year	<u>950,588</u>	<u>95,059</u>	<u>950,588</u>	<u>95,059</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(ii) Capital reserve

The capital reserve arose from acquisitions of subsidiaries and associates prior to 1 January 2001, where the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition was credited to the capital reserve.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(iii) Contributed surplus

The contributed surplus may be utilised in accordance with the Bye-laws and other relevant laws of Bermuda, being the place of incorporation of the Company.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(v).

(v) Land and buildings revaluation reserve

The Land and buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings set out in note 1(h).

(e) Distributability of reserves

At 31 December 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$438,155,000 (2024: HK\$482,117,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and contract liabilities, lease liabilities and rental deposits), less cash and cash equivalents. Total capital comprises all components of equity.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

27 CAPITAL, RESERVES AND DIVIDENDS (continued)

(f) Capital management (continued)

During 2025, the Group's strategy, which was unchanged from 2024 was to maintain the adjusted net debt-to-capital ratio under 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratios at 31 December 2025 and were as follows:

	31 December 2025	31 December 2024
	HK\$'000	HK\$'000
Current liabilities:		
Trade and other payables and contract liabilities	95,662	141,216
Bank loans	695,199	636,660
Lease liabilities	8,511	7,994
	<u>799,372</u>	<u>785,870</u>
Non-current liabilities:		
Bank loans	24,570	37,054
Lease liabilities	2,760	10,587
	<u>27,330</u>	<u>47,641</u>
Total debt	826,702	833,511
Less: cash and cash equivalents	<u>(64,851)</u>	<u>(48,934)</u>
Adjusted net debt	<u>761,851</u>	<u>784,577</u>
Total equity and capital	<u>1,743,964</u>	<u>1,925,110</u>
Adjusted net debt-to-capital ratio	<u>43.7%</u>	<u>40.8%</u>

The Group is subject to the fulfilment of certain covenants which include maintaining its adjusted net debt-to-capital ratio below 100%. Except for the above, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, other financial assets, trading securities, cash and cash equivalents and loans to an associate. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers in its toys and model trains business. In respect of the Group's property investment business, deposits of two to three months' rent are normally required from lessees.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. At the end of the reporting period, 4.06% (2024: 2.53%) and 30.83% (2024: 20.29%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

Investments in other financial assets and trading securities are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Cash and cash equivalents are normally placed with counterparties that have sound credit ratings.

The Group monitors the loans to an associate on an on-going basis. During the year ended 31 December 2025, loss allowance of HK\$Nil (2024: HK\$3,969,000) in respect of loans to an associate was recognised in profit or loss. The credit quality of fair value of loans to an associate has been assessed with reference to external credit ratings (if available) or to historical information about the counterparty default rates.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2025		
	Expected loss %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Neither past due nor impaired	0.0%	55,578	–
Less than 1 month past due	0.0%	4,999	–
1 to 3 months past due	1.1%	3,585	39
More than 3 months but less than 12 months past due	1.6%	9,328	148
More than 12 months past due	98.8%	1,375	1,359
		74,865	1,546
	2024		
	Expected loss %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Neither past due nor impaired	0.0%	47,585	–
Less than 1 month past due	0.0%	14,671	–
1 to 3 months past due	0.0%	86	–
More than 3 months but less than 12 months past due	3.7%	4,729	177
More than 12 months past due	84.9%	1,626	1,381
		68,697	1,558

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(a) Credit risk *(continued)*

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
At the beginning of the year	1,558	1,567
Exchange adjustments	10	(9)
Addition of impairment losses during the year <i>(note 5(c))</i>	5	–
Amounts written off	<u>(27)</u>	<u>–</u>
At the end of the year	<u><u>1,546</u></u>	<u><u>1,558</u></u>

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management including the short term investment of cash surpluses. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

As disclosed in note 22, all of the Group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related loans would become payable on demand. The Group did not identify any difficulties complying with the covenants. Information about the covenants for those bank loans classified as non-current at the end of the reporting period is set out below:

Loans	Carrying amount		Covenant(s)	Timing to comply with the covenant(s)
	2025 HK\$'000	2024 HK\$'000		
Loan A	-	11,392	(i) The ratio of cash flow to debt service for the borrower for each relevant period shall not fall below 1.5 to 1 (ii) The loan owing by the borrower to the bank shall not at any time exceed 65% of the subject property value	Annually in December and at any time throughout the loan term
Loan B	24,570	25,662	Fixed charge coverage ratio, on the borrower's consolidated basis, shall not be less than 1.10 to 1.0	Annually in June

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

For the term loans subject to repayment on demand clauses which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke to unconditional rights to call the loans with immediate effect.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

	2025						2024					
	Total contractual undiscounted cash outflow						Total contractual undiscounted cash outflow					
	More than 1 year but or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors and accrued charges	81,142	-	-	-	81,142	81,142	65,575	-	-	-	65,575	65,575
Amount due to a related company	138	-	-	-	138	138	138	-	-	-	138	138
Amount due to an associate	2,299	-	-	-	2,299	2,299	60,856	-	-	-	60,856	60,856
Rental deposits	11,387	-	-	-	11,387	11,387	14,368	-	-	-	14,368	14,368
Bank loans	707,562	5,605	7,799	21,210	742,176	719,769	709,890	17,958	8,036	23,730	759,614	673,714
Lease liabilities	8,780	2,164	670	13	11,627	11,271	8,572	8,222	2,377	323	19,494	18,581
	<u>811,308</u>	<u>7,769</u>	<u>8,469</u>	<u>21,223</u>	<u>848,769</u>	<u>826,006</u>	<u>859,399</u>	<u>26,180</u>	<u>10,413</u>	<u>24,053</u>	<u>920,045</u>	<u>833,232</u>

As shown in the above analysis, bank loans (including interest payment) of the Group amounting to HK\$707,562,000 were repayable on demand or due to be repaid during 2025. The short-term liquidity risk inherent in this contractual maturity date will be addressed by re-financing of the loan. Based on the historical experience, management is confident that the Group would not expect to breach any covenants in the next twelve months from the date of Board approval of the financial statements, and would have sufficient financial resources to meet its financial obligations as and when they fall due. The Group expects to have adequate source of funding to finance and manage its liquidity position.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group monitors the level of its variable rate borrowings and manages the contractual terms of the interest-bearing financial assets and liabilities. For this purpose the Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Group's interest rate profile as monitored by management is set out in (i) below.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

	Note	2025		2024	
		Effective interest rate %	Amount HK\$'000	Effective interest rate %	Amount HK\$'000
Fixed rate borrowings:					
Lease liabilities	23	4.00	11,271	4.00	18,581
Variable rate borrowings:					
Bank loans	22	<u>4.47</u>	<u>719,769</u>	<u>5.80</u>	<u>673,714</u>

(ii) Sensitivity analysis

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and retained profits by approximately HK\$5,955,000 (2024: increased/decreased the Group's loss after taxation and retained profits by approximately HK\$5,726,000). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

The sensitivity analysis above indicates the annualised impact on Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the consolidated financial statements. The analysis has been performed on the same basis for 2024.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars (“USD”), Renminbi Yuan (“RMB”) Sterling Pounds (“GBP”), Japanese Yen (“JPY”), Euro (“EUR”), Australian Dollars (“AUD”) and Singapore Dollars (“SGD”).

The Group’s operations outside Hong Kong do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the operations outside Hong Kong for use within the respective operations.

(i) Exposure to currency risk

The following table details the Group’s exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2025						
	USD '000	RMB '000	GBP '000	JPY '000	EUR '000	AUD '000	NTD '000
Other financial assets	6,815	-	-	56,120	77	149	-
Trading securities	-	-	-	58,916	-	-	-
Trade and other receivables (including inter- company receivables within the Group)	22,579	-	14,686	19,376	286	-	-
Cash and cash equivalents	348	97	110	1,881	147	1	78
Trade and other payables (including inter- company payables within the Group)	(685)	(14,412)	-	(80)	(80)	-	-
Net exposure arising from recognised assets and liabilities	<u>29,057</u>	<u>(14,315)</u>	<u>14,796</u>	<u>136,213</u>	<u>430</u>	<u>150</u>	<u>78</u>
HK\$ equivalent	<u>226,640</u>	<u>(15,746)</u>	<u>154,869</u>	<u>6,767</u>	<u>3,915</u>	<u>782</u>	<u>18</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

	2024						
	USD '000	RMB '000	GBP '000	JPY '000	EUR '000	AUD '000	NTD '000
Other financial assets	5,845	-	-	20,279	99	149	-
Trading securities	-	-	-	82,078	-	-	-
Trade and other receivables (including inter- company receivables within the Group)	22,969	262	15,626	13,725	508	-	-
Cash and cash equivalents	437	64	2	2,617	223	-	-
Trade and other payables (including inter- company payables within the Group)	(694)	(14,420)	(164)	(80)	(52)	-	-
Net exposure arising from recognised assets and liabilities	<u>28,557</u>	<u>(14,094)</u>	<u>15,464</u>	<u>118,619</u>	<u>778</u>	<u>149</u>	<u>-</u>
HK\$ equivalent	<u>222,744</u>	<u>(14,840)</u>	<u>150,382</u>	<u>5,808</u>	<u>6,273</u>	<u>720</u>	<u>-</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation (and retained profits) and other components of consolidated equity that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of USD against other currencies.

	2025		2024	
	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after taxation and (decrease)/ increase in retained profits <i>HK\$'000</i>	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after taxation and (decrease)/ increase in retained profits <i>HK\$'000</i>
RMB	5% (5%)	(657) 657	5% (5%)	(620) 620
GBP	5% (5%)	6,466 (6,466)	5% (5%)	6,278 (6,278)
JPY	5% (5%)	287 (287)	5% (5%)	244 (244)
EUR	5% (5%)	151 (151)	5% (5%)	243 (243)
AUD	5% (5%)	33 (33)	5% (5%)	30 (30)
NTD	5% (5%)	1 (1)	5% (5%)	– –

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/loss after taxation and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2024.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see notes 16 and 17). Other than the unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed both in and outside Hong Kong. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

At 31 December 2025, it is estimated that changes in the relevant stock market indices (for listed investments) with all other variables held constant, would have increased/decreased the Group's loss after taxation (and retained profits) and other components of consolidated equity as follows:

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Equity price risk *(continued)*

	2025		
	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in retained profits <i>HK\$'000</i>	Decrease/ (increase) in loss after taxation <i>HK\$'000</i>
Stock market index in respect of listed investments:			
Nikkei 225	26% (26%)	635 (635)	635 (635)
	2024		
	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in retained profits <i>HK\$'000</i>	Decrease/ (increase) in loss after taxation <i>HK\$'000</i>
Nikkei 225	20% (20%)	671 (671)	671 (671)

The sensitivity analysis indicates the instantaneous change in the Group's loss after taxation and retained profits that would have arisen assuming that the changes in the stock market indices had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical movement with the relevant stock market indices, and that all other variables remain constant. The analysis has been performed on the same basis for 2024.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

	Fair value as at 31 December	Fair value measurements as at 31 December 2025 categorised into		
	2025 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Other financial assets (note 16)				
- Investment funds	30,485	-	30,485	-
- Investment in unlisted companies	13,037	-	-	13,037
- Unlisted convertible notes	13,898	-	-	13,898
	57,420	-	30,485	26,935
Trading securities (note 17)				
- Investment in listed companies	2,927	2,927	-	-
	<u>60,347</u>	<u>2,927</u>	<u>30,485</u>	<u>26,935</u>

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy *(continued)*

	Fair value as at 31 December 2024 HK\$'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Other financial assets <i>(note 16)</i>				
– Investment funds	22,033	–	22,033	–
– Investment in unlisted companies	12,171	–	–	12,171
– Unlisted convertible notes	13,898	–	–	13,898
	48,102	–	22,033	26,069
Trading securities <i>(note 17)</i>				
– Investment in listed companies	4,019	4,019	–	–
	<u>52,121</u>	<u>4,019</u>	<u>22,033</u>	<u>26,069</u>

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 2 fair value measurements

The fair value is based on price quoted by financial institutions.

Information about Level 3 fair value measurements

The Group's Level 3 financial instruments represent investment in unlisted companies and unlisted convertible notes which their fair values are based on unobservable inputs. The directors perform the valuation on Level 3 financial instruments for financial reporting purposes. Their fair values have been determined with reference to the pricing of the recent transactions.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy *(continued)*

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

	Investment in unlisted companies <i>HK\$'000</i>	Unlisted convertible notes <i>HK\$'000</i>
Balance as at 1 January 2024	22,684	12,744
Net unrealised (loss)/gain recognised in profit or loss during the period	(10,318)	1,154
Exchange adjustment	(195)	-
	<hr/>	<hr/>
Balance as at 31 December 2024	12,171	13,898
Additions during the year	4,463	-
Net unrealised loss recognised in profit or loss during the period	(3,674)	-
Exchange adjustment	77	-
	<hr/>	<hr/>
Balance as at 31 December 2025	<u>13,037</u>	<u>13,898</u>

The losses arising from the fair value measurement of the Group's investment in unlisted companies and unlisted convertible notes are presented in the "other revenue and other net income/(loss)" line item in the consolidated profit or loss.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2025 and 2024.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

29 COMMITMENTS

Capital commitments outstanding at 31 December 2025 not provided for in the financial statements were as follows:

	2025 HK\$'000	2024 HK\$'000
Contracted for the purchase of property, plant and equipment	<u>16,216</u>	<u>12,748</u>

30 EMPLOYEE RETIREMENT BENEFITS

In Hong Kong, the Group operates a defined contribution pension scheme (“ORSO scheme”) for all qualifying employees. Effective from 1 December 2000, all Hong Kong based employees were also covered under a Mandatory Provident Fund (“MPF”) scheme, and the existing ORSO scheme was modified to provide extra benefits for existing and new employees. The amounts of employer’s and employees’ contributions to the ORSO scheme are reduced by the amount required to be paid to the MPF scheme. The contributions to the ORSO scheme are supplementary contributions, over and above the minimum MPF requirements. The assets of the ORSO scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the ORSO scheme, the employees are required to make contributions to the ORSO scheme calculated at 5% of their basic salaries on a monthly basis whilst the employer’s contributions vary with the number of years of service of the employees from 5% to 10% of the basic monthly salary. The employees are entitled to 100% of the employer’s contributions to the ORSO scheme and the accrued interest after 10 complete years’ service, or at an increasing scale of between 50% and 90% after completion of 5 to 9 years’ service.

Where there are employees who leave the ORSO scheme prior to vesting fully in the contributions, in accordance with the rules of the ORSO scheme, the forfeited employer’s contributions shall be used to reduce the future contributions of the employer.

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees’ final salary and years of service, and is reduced by entitlements accrued under the retirement schemes of the Group that are attributable to contributions made by the Group.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

30 EMPLOYEE RETIREMENT BENEFITS *(continued)*

Subsidiaries incorporated in the PRC participate in the defined contribution retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred.

Under the PRC Labour Contract Law, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees. The amount payable is dependent on the employees' final salary and years of service.

Employees in the United States of America are covered by a profit sharing plan under section 401(k) of the Internal Revenue Code covering all eligible employees. The plan provides for contributions from both the employer and eligible employees. Employer's contributions are voluntary and are determined each year at the discretion of management.

As regards employees in Europe, contributions are made by the employer to a money purchase defined contribution pension scheme for certain of its employees. The assets of the scheme are held separately by an independent administered fund.

31 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

- (i) Remuneration for key management personnel of the Group are disclosed in notes 7 and 8 to the financial statements.
- (ii) During the year ended 31 December 2025, the Group earned interest income from loans to an associate, Redwood amounted to HK\$3,102,000 (2024: HK\$2,619,000). Further details of loans to Redwood are given in note 14 to the financial statements.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2025 HK\$'000	2024 <i>HK\$'000</i>
Non-current assets			
Interest in subsidiaries		729,850	771,733
Current assets			
Trade and other receivables		415	367
Tax recoverable		-	38
Cash and cash equivalents		502	2,157
		917	2,562
Current liabilities			
Trade and other payables		3,014	2,634
Tax payable		54	-
		3,068	2,634
Net current liabilities		(2,151)	(72)
NET ASSETS		727,699	771,661
CAPITAL AND RESERVES			
	<i>27(a)</i>		
Share capital		95,059	95,059
Reserves		632,640	676,602
TOTAL EQUITY		727,699	771,661

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

33 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group believes the following critical accounting policies involves the most significant judgements and estimates used in the preparation of the financial statements.

(a) Valuation of investment properties

The fair valuation of the Group's investment properties is conducted by an independent firm of surveyors by either making reference to comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with provision for any reversionary income potential. The valuation model used by the property valuer makes use of market inputs. Should changes be made to these market inputs, the corresponding investment property valuation would change.

(b) Impairment of other property, plant and equipment

If circumstances indicate that the carrying amounts of other property, plant and equipment may not be recoverable, the assets may be considered "impaired" and are tested for impairment in accordance with *HKAS 36, Impairment of assets*. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. The asset's recoverable amount will also be estimated if circumstances indicate that an impairment loss previously recognised no longer exists or may have decreased. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. In determining the recoverable amount, significant judgements are required and the Group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount.

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, <i>Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

Group Properties

Details of the major property of the Group are as follows:

Location	Existing use	Term of lease
Major property held for investment		
The whole of Ground Floor, a portion of First Floor, the whole of Second, Third, Fourth Floors, a portion of Fifth, Sixth Floors, the whole of Seventh, Eighth, Ninth, Tenth Floors, a portion of Eleventh Floor, Kader Building, 22 Kai Cheung Road Kowloon Bay, Kowloon HONG KONG	Industrial and office rental	Medium-term

Five-Year Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	351,160	343,711	372,543	351,967	397,330
(Loss)/profit from operations	(8,387)	(13,807)	23,601	(21,040)	22,801
Finance costs	(31,383)	(39,731)	(35,199)	(13,871)	(7,084)
Share of profits less losses of associates	(38,164)	(19,355)	(15,893)	(14,577)	(1,202)
Impairment loss of loans to an associate	-	(3,969)	(1,128)	(891)	(4,640)
(Deficit)/surplus on revaluation of investment properties	<u>(109,994)</u>	<u>(112,368)</u>	<u>(57,643)</u>	<u>(40,788)</u>	<u>44,188</u>
(Loss)/profit before taxation	(187,928)	(189,230)	(86,262)	(91,167)	54,063
Income tax (expense)/credit	<u>(1,068)</u>	<u>2,930</u>	<u>12,824</u>	<u>6,202</u>	<u>(7,135)</u>
(Loss)/profit for the year	<u>(188,996)</u>	<u>(186,300)</u>	<u>(73,438)</u>	<u>(84,965)</u>	<u>46,928</u>
Attributable to:					
Equity shareholders of the Company	(189,593)	(186,704)	(74,634)	(86,384)	45,942
Non-controlling interests	<u>597</u>	<u>404</u>	<u>1,196</u>	<u>1,419</u>	<u>986</u>
(Loss)/profit for the year	<u>(188,996)</u>	<u>(186,300)</u>	<u>(73,438)</u>	<u>(84,965)</u>	<u>46,928</u>
(Loss)/earnings per share					
Basic	(19.94)¢	(19.64)¢	(7.85)¢	(9.09)¢	4.83¢
Diluted	<u>(19.94)¢</u>	<u>(19.64)¢</u>	<u>(7.85)¢</u>	<u>(9.09)¢</u>	<u>4.83¢</u>

Five-Year Summary *(Continued)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets and liabilities					
Property, plant and equipment	2,026,766	2,134,069	2,260,775	2,260,372	2,289,850
Intangible assets	250	284	318	352	385
Interest in associates	26,966	55,655	61,342	59,834	65,044
Other financial assets	57,420	48,102	59,320	53,927	45,545
Deposits and prepayments	56,755	69,176	62,435	65,233	22,447
Deferred tax assets	8,826	22,289	18,834	15,350	8,039
Non-current assets	2,176,983	2,329,575	2,463,024	2,455,068	2,431,310
Net current liabilities	(386,019)	(325,117)	(287,233)	(205,922)	(82,975)
Total assets less current liabilities	1,790,964	2,004,458	2,175,791	2,249,146	2,348,335
Non-current liabilities	(47,000)	(79,348)	(60,971)	(70,045)	(78,803)
NET ASSETS	<u>1,743,964</u>	<u>1,925,110</u>	<u>2,114,820</u>	<u>2,179,101</u>	<u>2,269,532</u>
CAPITAL AND RESERVES					
Share capital	95,059	95,059	95,059	95,059	95,059
Reserves	1,643,107	1,825,056	2,012,879	2,078,166	2,169,527
Total equity attributable to equity shareholders of the Company	1,738,166	1,920,115	2,107,938	2,173,225	2,264,586
Non-controlling interests	5,798	4,995	6,882	5,876	4,946
TOTAL EQUITY	<u>1,743,964</u>	<u>1,925,110</u>	<u>2,114,820</u>	<u>2,179,101</u>	<u>2,269,532</u>