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Vital Innovations Holdings Limited

維太創科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6133)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Vital Innovations Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2025 (the “**Current Period**”) together with the comparative figures for the corresponding period in 2024.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		Six months ended 30 June	
		2025	2024
	Notes	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	6	449,008	495,278
Cost of sales		(447,277)	(493,218)
Gross profit		1,731	2,060
Other gains (losses), net	7	226	(190)
Other income	8	1	13
Selling and distribution costs		(2,653)	(2,901)
Administrative expenses		(6,892)	(7,505)
Finance costs	9	(832)	(798)
Loss before tax	10	(8,419)	(9,321)
Income tax	11	—	—
Loss and total comprehensive expense for the period		(8,419)	(9,321)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		(8,419)	(9,317)
Non-controlling interests		—	(4)
		8,419	(9,321)
Loss per share	12		
Basic and diluted (RMB cents)		(0.99)	(1.10)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

		30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
	Notes		
Non-current assets			
Equipment		20	21
Right-of-use assets	21	2,150	2,836
		<u>2,170</u>	<u>2,857</u>
Current assets			
Inventories		10,072	3,886
Trade and other receivables	14	59,339	161,290
Prepayments and deposit	15	519,175	438,365
Cash and bank balances		7,834	8,198
		<u>596,420</u>	<u>611,739</u>
Current liabilities			
Trade payables	16	23,797	25,596
Accruals and other payables	17	72,326	72,375
Contract liabilities	18	150	151
Loan from a related party	19	9,120	9,260
Bank loans	20	13,567	18,501
Lease liabilities	21	1,140	1,351
Tax liabilities		3,531	3,531
		<u>123,631</u>	<u>130,765</u>
Net current assets		<u>472,789</u>	<u>480,974</u>
Total assets less current liabilities		<u>474,959</u>	<u>483,831</u>
Non-current liability			
Lease liabilities	21	1,064	1,518
Net assets		<u>473,895</u>	<u>482,313</u>
Capital and reserve			
Share capital		67,041	67,041
Share premium and reserves		406,854	415,272
Equity attributable to owners of the Company		473,895	482,313
Non-controlling interests		—	—
Total equity		<u>473,895</u>	<u>482,313</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025

1. GENERAL INFORMATION

Vital Innovations Holdings Limited (the “Company”) was established in the Cayman Islands as an exempted company with limited liability on 12 August 2014. The immediate and ultimate holding company of the Company is Winmate Limited (“Wimate”) which is incorporated in the British Virgin Islands (the “BVI”) and is 90% and 10% owned by Ms. Rong Xiuli (“Ms. Rong”) and Mr. Ni Gang (“Mr. Ni”), the husband of Ms. Rong, respectively.

On 26 June 2015, the Company was listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report. The Company is principally engaged in investment holding and the principal activities of its subsidiaries (together with the Company collectively referred to as the “Group”) are principally engaged in trading of mobile (including mobile telecommunication related components and accessories) and smart appliances and trading of LED products.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the same as the functional currency of the Company. The interim condensed consolidated financial information have been approved for issue by the board of directors on 27 August 2025.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2025 have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange. This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2024, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2024 except as disclosed below.

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to IAS 21

Lack of Exchangeability

The application of the above amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2024.

5. SEGMENT INFORMATION

Information reported to the board of directors of the Company (the "Board"), being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of products sold.

During the six months ended 30 June 2025 and 2024, the Group has two reportable and operating segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Trading of mobile (including mobile telecommunication related components and accessories) and smart appliances ("Trading of mobile and smart appliances")
- Trading of LED products

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment assets and liabilities are not disclosed in these interim condensed consolidated financial information as they are not regularly provided to the CODM for the purposes of resource allocation and performance assessment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June (unaudited)

	Trading of mobile and smart appliances		Trading of LED products		Total	
	2025	2024	2025	2024	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>445,669</u>	<u>495,278</u>	<u>3,339</u>	<u>–</u>	<u>449,008</u>	<u>495,278</u>
Segment (losses) gains	<u>(1,134)</u>	<u>(841)</u>	<u>212</u>	<u>–</u>	<u>(922)</u>	<u>(841)</u>
Other gains (losses), net					226	(190)
Other income					1	13
Finance costs					(832)	(798)
Unallocated corporate expenses					<u>(6,892)</u>	<u>(7,505)</u>
Loss before tax					<u>(8,419)</u>	<u>(9,321)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (losses) gains represents the (losses) gains from each segment without allocation of other gains (losses), net, other income, administrative expenses (unallocated) and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

There were no inter-segment sales in both periods.

6. REVENUE

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts.

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time as follows:		
Mobile and smart appliances	445,669	495,278
LED products	3,339	—
	<u>449,008</u>	<u>495,278</u>

7. OTHER GAINS (LOSSES), NET

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Foreign exchange gains (losses), net	226	(174)
Loss on deregistration of a subsidiary (<i>Note</i>)	—	(19)
Others	—	3
	<u>226</u>	<u>(190)</u>

Note: The Group had dissolved of a PRC subsidiary during the six months ended 30 June 2024, resulting in a loss on deregistration of approximately RMB19,000.

8. OTHER INCOME

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income on pledged bank deposits	—	2
Interest income on bank balances	1	11
	<u>1</u>	<u>13</u>

9. FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Effective interest expenses on bank loans	532	538
Effective interest expenses on lease liabilities	74	33
Effective interest expenses on loan from a related party	226	227
	<u>832</u>	<u>798</u>

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Directors' emoluments	1,646	1,717
Staff costs (excluding directors' emoluments)		
– salaries and other allowances	2,743	3,616
– retirement benefits schemes contributions	138	188
Total staff costs	<u>4,527</u>	<u>5,521</u>
Auditor's remuneration	182	183
Cost of inventories recognised as an expense	447,277	493,218
Depreciation of equipment	1	1
Depreciation of right-of-use assets	686	609
Expenses related to short-term leases	<u>639</u>	<u>783</u>

11. INCOME TAX

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax was made as the Group did not have any assessable profits generated during the six months ended 30 June 2025 and 2024.

The Company's subsidiaries incorporated in Hong Kong are subject to the Hong Kong Profits Tax at 16.5% (2024: 16.5%).

Under the Law of the PRC and Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries are 25% from 1 January 2008 onwards.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss:		
Loss for the purposes of basic and diluted loss per share, representing loss during the period attributable to the owners of the Company	<u>(8,419)</u>	<u>(9,317)</u>
	Six months ended 30 June	
	2025	2024
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Number of ordinary shares for the purposes of basic and diluted loss per share	<u>850,000</u>	<u>850,000</u>

Diluted loss per share is equal to basic loss per shares as there were no dilutive potential ordinary shares in issue during the six months ended 30 June 2025 and 2024.

13. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2025 and 2024, nor has any dividend been proposed since the end of the reporting period.

14. TRADE AND OTHER RECEIVABLES

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Trade receivables	48,148	149,796
Less: allowance for credit losses	—	—
	<u>48,148</u>	<u>149,796</u>
Other receivables		
– Other PRC tax receivables	10,549	10,508
– Others (<i>Note</i>)	689	1,033
	<u>11,238</u>	<u>11,541</u>
Less: allowance for credit losses	(47)	(47)
	<u>11,191</u>	<u>11,494</u>
Total trade and other receivables	<u>59,339</u>	<u>161,290</u>

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice dates.

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Within 30 days	35,690	149,796
31 days to 90 days	2,053	—
More than 90 days	10,405	—
	<u>48,148</u>	<u>149,796</u>

Note: As at 30 June 2025, approximately RMB14,000 (31 December 2024: RMB14,000) included in others was paid to a related party, Beijing Tianlang Huigu Technology Co., Ltd.* (北京天朗慧谷科技有限公司), for premises rental deposit.

* The English name of the company is for reference only.

15. PREPAYMENTS AND DEPOSIT

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Prepayments to suppliers for:		
– Mobile and smart appliances (<i>Note (a)</i>)	173,292	288,365
– LED products (<i>Note (b)</i>)	195,883	–
	<u>369,175</u>	<u>288,365</u>
Refundable purchase deposit paid for:		
– Mobile and smart appliances (<i>Note (c)</i>)	150,000	150,000
	<u>519,175</u>	<u>438,365</u>

Notes:

- (a) As at 30 June 2025, the Group had made prepayments mainly to two independent suppliers to purchase mobile and smart appliances for trading business in a total of approximately RMB163,267,000 (31 December 2024: approximately RMB285,190,000).
- (b) As at 30 June 2025, the Group had made prepayments to an independent supplier (31 December 2024: Nil) to purchase LED products for trading business in a total of approximately RMB195,883,000 (31 December 2024: Nil).
- (c) As at 30 June 2025 and 31 December 2024, the Group had paid a guarantee deposit of RMB150,000,000 to an independent supplier with a view to secure a stable supply of mobile and smart appliances with reputable brand name to the Group pursuant to a cooperation memorandum entered into between the Group and the supplier.

The purchase deposit paid is refundable. The Group has a right to request the supplier to refund the above purchase deposit when the supplier fails to deliver the ordered goods to the Group in accordance with the supply schedule.

The directors of the Company had assessed the background, credibility and supply capacity of all the above suppliers and considered that the suppliers are large-scale enterprises in the PRC and has no default history. The directors of the Company had also assessed the financial capabilities of the above suppliers and identified no potential financial difficulties of these suppliers. Therefore, the directors of the Company considered that the Group is able to recover the prepayments and the purchase deposit from the above suppliers.

16. TRADE PAYABLES

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Trade payables	23,797	25,596

The following is an ageing analysis of trade payables based on the invoice dates at the end of the reporting period:

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Within 90 days	652	17,023
91 to 180 days	–	–
181 days to 1 year	14,572	–
Over 1 year	8,573	8,573
Total	23,797	25,596

The average credit period on purchases of goods is 30-90 days but the credit terms can be longer subject to individual supplier policy and the result of negotiation between the supplier and the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

17. ACCRUALS AND OTHER PAYABLES

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Royalties payable (<i>note (a)</i>)	13,210	13,210
Staff costs payable	737	1,136
Payable for insurance premium and freights	942	942
Interest payable	703	534
Dividends payable	252	252
Other PRC tax payables	22,829	22,827
Others payable (<i>note (b)</i>)	33,653	33,474
	72,326	72,375

Notes:

- (a) The royalties payable represents accrued royalty fees in prior years for Original Design Manufacturer (“ODM”) business which was ceased in 2016.

- (b) The others payable includes (i) accrued professional fees and deposits received from ODM business amounting to approximately RMB15,135,000 (31 December 2024: RMB15,199,000); and (ii) amount due to an independent third party of approximately USD2,533,000 (equivalent to approximately RMB18,136,000) (31 December 2024: USD2,309,000 (equivalent to approximately RMB16,595,000)) which is unsecured, non-interest bearing and repayable on demand.

18. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 30 June 2025 and 31 December 2024 and is expected to be recognised within one year:

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Sales of goods	150	151

It represented amounts received from customers in advance in relation to sales of goods. The amounts will be recognised as sales when control of the goods has been transferred, being when the products are delivered and accepted by the customers according to the terms of contracts.

19. LOAN FROM A RELATED PARTY

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Mr. Ni (<i>Note</i>)	9,120	9,260

On 11 November 2023, a subsidiary of the Company and Mr. Ni entered into a loan agreement with principal amount of HK\$10,000,000 at interest rate of 5% p.a. which is unsecured and matured in June 2024. During the six months ended 30 June 2025, a subsidiary of the Company and Mr. Ni entered into a loan extension agreement to extend the due date to December 2025 (31 December 2024: Extend the due date to June 2025).

Note: Mr. Ni is the spouse of Ms. Rong Xiuli, the chairperson and executive director of the Company.

20. BANK LOANS

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Secured bank loans:		
– Trust receipt loans (<i>Note a</i>)	10,015	14,348
– Government guarantee instalment bank loans (<i>Note b</i>)	3,552	4,153
	13,567	18,501

As at 30 June 2025 and 31 December 2024, the Group's secured bank loans were repayable in accordance with scheduled repayment dates as follows:

	30 June 2025 RMB'000 (unaudited)	31 December 2024 RMB'000 (audited)
Carrying amount repayable:		
Within one year	10,015	14,348
Carrying amount of secured bank loans that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	1,099	1,100
More than one year but not exceeding two years	1,133	1,133
More than two years but not exceeding five years	539	1,032
More than five years	781	888
	3,552	4,153
	13,567	18,501

Note (a):

The terms and conditions of the trust receipt loans are set out below.

As at 30 June 2025	Maturity date	Carrying amount <i>RMB'000</i>
Variable-rate:		
Secured bank loan I	15 August 2025	4,295
Secured bank loan II	22 August 2025	5,720
		<hr/>
		10,015
		<hr/> <hr/>
As at 31 December 2024	Maturity date	Carrying amount <i>RMB'000</i>
Variable-rate:		
Secured bank loan I	14 February 2025	14,348
		<hr/>
		14,348
		<hr/> <hr/>

The secured bank loans I to II carried interest at the United States Prime Rate at 7.50% (31 December 2024: 7.50% to 8.50%) per annum.

The secured bank loans I to II were jointly secured by (i) the properties owned by an individual, an independent third party to the Group and (ii) personal guarantee provided by a director of the Company; (31 December 2024: (i) the properties owned by an individual, an independent third party to the Group and (ii) personal guarantee provided by a director of the Company).

Note (b):

The terms and conditions of the government guarantee instalment bank loans (“secured instalment bank loan”) are set out below.

As at 30 June 2025	Carrying amount <i>RMB'000</i>
Variable-rate bank loan:	
Secured instalment bank loan I	1,898
Secured instalment bank loan II	1,654
	<hr/>
	3,552
	<hr/> <hr/>
As at 31 December 2024	Carrying amount <i>RMB'000</i>
Variable-rate bank loan:	
Secured instalment bank loan I	2,392
Secured instalment bank loan II	1,761
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	4,153
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The last instalment of the secured instalment bank loan I and II are on 6 June 2027 and 2 May 2034 respectively.

All the secured instalment bank loans carries interest at 2.5% per annum below the Hong Kong Prime Rate.

All the secured instalment bank loans are secured by the guarantees provided by the director of the Company and the government of HKSAR under SME Financing Guarantee Scheme.

21. LEASES

(i) Right-of-use assets

The Group has lease contracts for properties and warehouse for its operations. The leases terms are generally for a period of 2 to 3 years (2024: 2 to 3 years).

As at 30 June 2025, the carrying amount of right-of-use assets of approximately RMB2,150,000 (31 December 2024: RMB2,836,000) represents lease contracts for properties and warehouse used in its operations.

During the six months ended 30 June 2025, no addition to the right-of-use assets was recognised.

During the six months ended 30 June 2024, the Group entered into a new lease agreement for an office premise and recognised right-of-use assets and lease liabilities of approximately RMB1,120,000.

The depreciation of the Group for the six months ended 30 June 2025 was approximately RMB686,000 (six months ended 30 June 2024: RMB609,000).

(ii) Lease liabilities

As at 30 June 2025, the carrying amount of lease liabilities was approximately RMB2,204,000 (31 December 2024: RMB2,869,000).

22. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name	Relationship
Beijing Tianlang Huigu Technology Co. Ltd. (“Tianlang”)* 北京天朗慧谷科技有限公司	Company controlled by Ms. Rong and Mr. Ni
Beijing Zhuoyue Tianhe Management Co., Ltd. (“Zhuoyue Tianhe”)* 北京卓越天和運營管理有限公司	Company controlled by Ms. Rong
Beijing Benywave Technology Co., Ltd. (“Benywave Technology”)* 北京百納威爾科技有限公司	Company controlled by Ms. Rong and Mr. Ni
Mr. Ni	The husband of Ms. Rong

* The English name of the above companies are for reference only.

(b) Related party transactions

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Premises rental expenses charged by Tianlang (<i>Note (ii)</i>)	22	35
Equipment rental expenses charged by Benywave Technology (<i>Note (i)</i>)	23	34
Management expenses charged by Zhuoyue Tianhe (<i>Note (ii)</i>)	9	14
Interest expenses charged by Mr. Ni (<i>Note (iii)</i>)	226	227
	<u>226</u>	<u>227</u>

Notes:

- (i) During the year ended 31 December 2024, the Group entered into a one-year lease in respect of certain equipment from Benywave Technology. The Group has made lease payment of approximately RMB23,000 (six months ended 30 June 2024: RMB34,000) to Benywave Technology.
- (ii) During the six months ended 30 June 2025, the Group has made the lease payment of approximately RMB22,000 (six months ended 30 June 2024: RMB35,000) to Tianlang where the lease is accounted for as a short-term lease. In addition, the Group made the management fee payment of approximately RMB9,000 (six months ended 30 June 2024: RMB14,000) to Zhuoyue Tianhe.
- (iii) During the six months ended 30 June 2025, the Group accrued the interest expenses of approximately RMB226,000 (six months ended 30 June 2024: RMB227,000) to a related party, Mr. Ni.

(c) Remuneration of key management personnel of the Group

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	2,241	2,282
Post-employment benefits	81	103
	<u>2,322</u>	<u>2,385</u>

(d) Guarantee

As at 30 June 2025, a director of the Company has provided personal guarantees as part of the security for the bank loans of approximately RMB13,567,000 (31 December 2024: RMB18,501,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Vital Innovations Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) focuses on selling and providing services for mobile phones, smartphones, LED products, artificial intelligence (AI) tools, and related equipment. We cover the full process, from research and design to buying materials, managing supplies, handling logistics, and offering customer services for our target markets. Our main work is to give a wide range of services to wholesalers and resellers. We use our strong knowledge of telecom technology and a large network of partners to achieve this. This helps us meet changing market needs and build lasting ties in the industry.

GLOBAL ECONOMIC OVERVIEW

Ongoing political tensions around the world are having a big impact on businesses. They create more risk through changing trade rules and growing conflicts. In the first half of 2025, China showed strong strength. Its economy grew faster than expected, thanks to smart government plans that keep things stable and help growth. This shows China’s firm push toward long-term goals, like the “Great Chinese Renaissance.” Even so, the world economy is recovering in an uneven way with slowdown in certain regions. In China, the government helped boost people’s spending and factory output but pressures are getting stronger outside China. Around the world, rich countries deal with high borrowing costs that limit spending and investment. Poorer countries face issues like changing money values, fluctuating raw material prices, and broken supply chains. These problems incentivises companies to plan more carefully and use resources wisely.

KEY CHALLENGES IN THE GLOBAL MARKET

Big issues remain worldwide. They make economies grow at different speeds and force businesses to change how they work:

1. **Split in World Markets:** Globalization is slowing down because of more trade walls and supply breaks. This makes the global market more divided. Demand for goods and services is coming back in patches but is held back by remaining effects of the pandemic, such as tight money policies to fight rising prices and careful spending in big countries. This split messes up normal trade and makes companies rethink where they invest and get supplies. In areas like tech and gadgets, there is a move to local sources to avoid risks from far-away places.
2. **Rising Political Tensions:** Strong rivalries between big countries, especially the US and China, will shape the near future. This includes higher trade taxes and tougher rules from the US, plus new steps on certain issues. These fights go into tech and safety areas, like quick AI progress and races for top chips, smart codes, and skilled people. As a result, there is less money flowing across borders, and a harder recovery and the sharing of talent and new ideas is hindered. This slows down the interactions and exchange of technologies in important fields and makes companies use better ways to handle risks.

As the world looks for steady ways to grow despite these issues, chances are gathering in areas with high output and new ideas. AI stands out as a big changer. It can bring fresh answers to hard problems, improve work speed and boost output. This helps fight the overall slowdown. In telecom, adding AI can make user time better, improve making processes, and handle wider economy troubles with smart setups.

SMARTPHONE INDUSTRY TRENDS

Global smartphone shipments in Q1 2025 saw a modest increase of 0.2%, reaching 296.9 million units, according to Canalys, though International Data Corporation (“**IDC**”) reported a slightly higher growth of 1.5% to 304.9 million units. Even with money worries in many places, this small rise shows a slow but steady move toward a stable market. It points to what buyers want: cheap devices with better features that keep demand going in tough times.

Shipments also grew modestly year-over-year in the second quarter of 2025, based on data from Counterpoint’s Market Monitor service. This good trend happened in most areas thanks to better buyer feelings and economy signs. Growing markets were strong, helped by sales pushes from top makers. But the field still has problems. In rich countries, people upgrade less often because phones last longer and changes are small. In new markets, high costs from rising prices are a barrier. Overall, smartphones are in a change phase. Growth is low but getting a lift from new things like AI in devices. This could spark more buyer interest with personal, quick, and easy-to-use features that fit modern digital life.

COMPANY PERFORMANCE AND STRATEGIES

With expected hurdles from low world demand and strong competitions in smartphones, our leaders are taking steps to improve how we work and use a protective plan to reduce bad effects on business. We choose to stay important to customers, even if it means lower short-term profits. At the same time, we tightly watch running costs to get through this hard time. This includes better supply chain flow, finer stock control, and quicker answers to market changes. It keeps the Group strong without too much money risk. Margin policy revisions helped sustain sales volume, driving total smartphone revenue for the six months ended 30 June 2025 to RMB445.7 million – a 10% YOY decrease (2024: RMB495.3 million). However, the operating loss reduced marginally to RMB8.4 million – a 9.7% YOY improvement (2024: RMB9.3 million) resulted from tight expenses control.

BUSINESS OUTLOOK

IDC's new five-year forecast for global smartphone shipments by system type expects a small year-over-year rise in 2025. IDC has cut its forecast for global smartphone shipments in 2025 to just 0.6% growth (1.24 billion units) down from a previous projection of 2.3%, due to persistent economic uncertainty and volatility across many regions as key factors behind the revision. IDC pointed to macroeconomic challenges such as inflation, unemployment, and unstable tariffs, all of which continue to dampen consumer demand for smartphones. Despite ongoing tensions between the US and China, both markets are expected to drive flat overall growth this year. In China, shipments are forecasted to rise by 3% year-on-year, supported by government subsidies and a boost in Android device sales. In the US, IDC research director Anthony Scarsella said the market will grow by just 1.9% in 2025, down from a previous projection of 3.3%. He noted that while the ongoing US-China trade war has had an impact, further decline was mitigated by the fact that most devices in the US are sold through operators, which support demand with trade-in offers and interest-free financing. Then, it sees slow increases over time, leading to a growth rate that shows lasting need in old and new markets. Ahead, the market will change with key tech steps, like better AI in devices and easier 5G access. These could get buyers more interested and push up use of next-level products. The Group has a careful but positive view for the second half of 2025. We see new chances but also risks that could affect work. Good signs of better market feelings in some main areas hint at steadier demand, which can help us stay strong. Therefore, our main plans will focus on:

- **Better Product Mix:** Adding more smartphone brands and matching ecosystem items to draw in new customer groups.
- **Wider Market Reach:** Working with key partners to enter and grow in good areas like Central Asia, the Middle East and Russia.
- **Smarter Resource Use:** Giving more to push top brands and well-known smartphone models to build a bigger customer group and get deeper in markets.

EXPLORING FUTURE GROWTH AREAS

Based on wide research and checks, our leaders have found key goals that use the Group's base skills in high-level making and tech services:

1. **Artificial Intelligence (AI):** AI is still a top spot for new ideas and growth, covering many uses in different fields. The Group sees ways to add AI into current products for smarter answers that fit today's buyer needs.
2. **Embodied Intelligence:** Moving forward in human-like robots to make joined smart systems that copy human skills. This fits our know-how in AI rules and hardware mix. It opens paths for fresh uses in service and buyer areas, growing our tech range.

3. **Industrial Intelligence:** Looking into factory robot setups to boost auto-work and lift speed in making flows. By focusing here, the Group wants to sharpen how we run and find links that help our main telecom work, leading to better overall output.
4. **LED Products:** To diversify revenue streams and mitigate business risks, the Group has entered the LED products market in 2025, capitalizing on the recent surge in demand within emerging markets. Management anticipates that this strategic expansion will enhance overall profitability through improved margins, driven by economies of scale, innovative product offerings, and targeted penetration into high-growth regions, thereby contributing to long-term financial resilience and shareholder value.

These areas are key parts of China's long-view plans for growth in coming years. The Group is closely watching for right times and ways to join in. This will reshape and strengthen where we stand in the market. Getting into these new spots not only spreads our business but also lines us up with lasting trends in auto-work, smart systems, and tech mixing. It makes sure we can change in a fast-moving world.

The Group stays firm in using its strengths and looking for new chances in important areas to get lasting growth in a changing and hard global setting— especially in AI. The Company is chasing fresh chances with the wide know-how of our leaders. We will not hold back on good investments to boost our strength and create long-term value

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB46.3 million or 9.3% to approximately RMB449 million for the Current Period from approximately RMB495.3 million for the corresponding period of 2024. The following table sets forth the breakdown of the Group's revenue by product type: -

	For the six months ended	
	30 June	
	2025	2024
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Mobile and smart appliances	445,669	495,278
LED products	3,339	—
	449,008	495,278

The revenue from mobile and smart appliances decreased, primarily due to a lack of sales to customers in China.

The following table sets out the breakdown of the Group's revenue by geographical regions for the periods indicated:

	For the six months ended 30 June			
	2025		2024	
	(unaudited) RMB'000	%	(unaudited) RMB'000	%
Hong Kong	449,008	100	460,056	92.9
China	—	—	35,222	7.1
	<u>449,008</u>	<u>100</u>	<u>495,278</u>	<u>100</u>

Gross profit and gross profit margin

	For the six months ended 30 June			
	2025		2024	
	Gross profit (unaudited) RMB'000	Gross profit margin %	Gross profit (unaudited) RMB'000	Gross profit margin %
Mobile and smart appliances	1,519	0.34	2,060	0.42
LED products	212	6.35	—	—
	<u>1,731</u>	<u>0.39</u>	<u>2,060</u>	<u>0.42</u>

Gross profit amounted to approximately RMB1.7 million for the Current Period, compared with a gross profit of approximately RMB2.1 million for the corresponding period of 2024. The gross profit margin for the Current Period was 0.39% and for the corresponding period of 2024 was 0.42%, which remained stable.

Taxation

No provision for Hong Kong Profits Tax and Enterprise Income Tax was made as the Group did not have assessable profits during the Current Period.

Contingent liabilities

As at 30 June 2025, the Group had no significant contingent liabilities (31 December 2024: Nil).

Charge on Assets

Save as disclosed in note 20 in this announcement, as at 30 June 2025, the Group did not have any other charges on assets.

Liquidity, financial resources and source of funding

The Group's total cash and bank balances decreased by RMB0.4 million from RMB8.2 million as at 31 December 2024 to RMB7.8 million as at 30 June 2025.

As at 30 June 2025, the current ratio (calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates) of the Group was 4.82 as compared with 4.68 as at 31 December 2024.

As at 30 June 2025, the Group had bank loans of approximately RMB13.6 million (31 December 2024: approximately RMB18.5 million). On the same date, the gearing ratio (calculated based on the bank loans as of the respective dates divided by the net assets as of the respective dates) of the Group was 2.86% as compared with 3.84% as at 31 December 2024.

Inventories

The Group's total inventories increased by RMB6.2 million from RMB3.9 million as at 31 December 2024 to RMB10.1 million as at 30 June 2025. In determining the write down of inventories, the Company's management considered the subsequent selling price and ageing of inventories.

Prepayments and deposit

Prepayments mainly include prepayments for mobile and smart appliances suppliers and LED products supplier. As at 30 June 2025, the Group has made prepayments amounting to RMB173.3 million to mobile and smart appliances suppliers and RMB195.9 million to one independent LED products supplier (31 December 2024: RMB288.4 million to mobile and smart appliances suppliers and nil to LED products supplier).

As at 30 June 2025 and 31 December 2024, the Group had paid a guarantee deposit of RMB150,000,000 to an independent supplier with a view to secure a stable supply of mobile and smart appliances with reputable brand name to the Group pursuant to a cooperation memorandum entered into between the Group and the supplier.

The purchase deposit paid is refundable. The Group has a right to request the supplier to refund the above purchase deposit when the supplier fails to deliver the ordered goods to the Group in accordance with the supply schedule.

Directors had assessed the background, credibility and supply capacity of all the above suppliers and considered that the suppliers are large-scale enterprises in the PRC and has no default history. Directors had also assessed the financial capabilities of the above suppliers and identified no potential financial difficulties of these suppliers. Therefore, Directors considered that the Group is able to recover the prepayments and the purchase deposit from the above suppliers.

Trade and other receivables

As at 30 June 2025, the carrying amount of trade and other receivables was approximately RMB59.3 million, representing a decrease of approximately RMB102 million as compared to 31 December 2024.

Contract liabilities

The Group's contract liabilities decreased by RMB1,000 from RMB151,000 as at 31 December 2024 to RMB150,000 as at 30 June 2025 due to a decrease in prepayment from customers for purchases of mobile and smart appliances.

Foreign exchange exposure

The Group undertakes certain operating transactions in foreign currencies, which exposes the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management of the Company manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arise.

Interim Dividend

For the Current Period, the Board does not recommend the payment of an interim dividend (30 June 2024: Nil).

HUMAN RESOURCES

As at 30 June 2025, the Group employed approximately 20 employees (30 June 2024: 26 employees) in Hong Kong and China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board acknowledges the importance of a high standard of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders' value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize an effective internal control and accountability to all shareholders.

The Board is responsible for performing the corporate governance functions in accordance with the applicable code provisions of the Corporate Governance Code (“**CG Code**”) as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Board is committed to complying with the code provisions as stated in the CG Code to the extent that the Directors consider it is applicable and practical to the Company.

During the Current Period, the Company has complied with all the code provisions set out in the CG Code.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Current Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (including the sale of treasury shares) during the Current Period. As at 30 June 2025, the Company did not have any treasury shares.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group had no major litigation or arbitration during the Current Period.

SIGNIFICANT INVESTMENTS, DISPOSALS AND ACQUISITIONS

The Group had no significant investment, disposals and acquisition of subsidiaries, associates or joint ventures during the Current Period. No future plans were made for material investments or capital assets additions of the Group as at 30 June 2025.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required under the Listing Rules.

SUBSEQUENT EVENTS

No material events were undertaken by the Group subsequent to 30 June 2025 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established in accordance with Rule 3.21 of the Listing Rules with its primary duties of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely Mr. Leung Man Fai (Chairman), Mr. Wong Pong Chun James and Mr. Han Xiaojing.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the Current Period together with the management of the Group.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.vitalinno.com). The Company's interim report for the Current Period containing all information required by the Listing Rules will be dispatched (if requested) to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Vital Innovations Holdings Limited
Rong Xiuli
Chairperson

Hong Kong, 27 August 2025

As at the date of this announcement, the Board comprises Ms. Rong Xiuli, Mr. Rong Shengli, Mr. Yin Xuquan and Mr. Wong Ho Chun as executive Directors, and Mr. Leung Man Fai, Mr. Wong Pong Chun James and Mr. Han Xiaojing as independent non-executive Directors.