



China International Development Corporation Limited 中聯發展控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0264

2025 Interim Report



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhao Jingfei (*Co-Chairman*)
Mr. Fong Sze Chun (*Co-Chairman*)
(appointed on 9 April 2025)
Mr. Fan Xin (*Chief Executive Officer*)
Mr. Qin Bohan
Mr. Leung Wai Kit
Mr. Chiang Chien Chih
(appointed on 14 January 2025)
Mr. Ying Yong
(appointed on 14 January 2025)
Mr. Jerome Jean Jacques Loubert
(appointed on 9 April 2025)

Non-executive Director

Mr. Chan Hau Him Howard
(appointed on 9 April 2025)

Independent Non-executive Directors

Ms. Han Yu
Ms. Jia Lixin
Ms. Chen Mengsi
(appointed on 21 January 2025)
Ms. Ye Duan
(appointed on 8 July 2025)
Mr. Peng Zuoquan
(appointed on 8 July 2025)

COMPANY SECRETARY

Mr. Chan Tsang Mo

AUDIT COMMITTEE

Ms. Han Yu (*Committee Chairlady*)
Ms. Jia Lixin
Ms. Chen Mengsi
(appointed on 21 January 2025)

NOMINATION COMMITTEE

Mr. Zhao Jingfei
(*Committee Chairman*)
Ms. Han Yu
Ms. Jia Lixin
Ms. Chen Mengsi
(appointed on 21 January 2025)

REMUNERATION COMMITTEE

Ms. Chen Mengsi (*Committee Chairlady*)
(appointed on 21 January 2025)
Mr. Fan Xin
Ms. Han Yu
Ms. Jia Lixin

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 26
39 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd.
Hong Kong Branch
Nanyang Commercial Bank Limited
Bank of China (Hong Kong) Limited

AUDITOR

Ascenda Cachet CPA Limited
Certified Public Accountants

LEGAL ADVISER ON THE CAYMAN ISLANDS LAW

Conyers Dill & Pearman

LEGAL ADVISER ON HONG KONG LAW

Li & Partners

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D, P.O. Box 1586
Gardenia Court, Camana Bay
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

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16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.irasia.com/listco/hk/cidc/index.htm

STOCK CODE

264

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2025	2024
	Unaudited	Unaudited

Operating results

Revenue (HK\$'000)	17,878	8,651
Gross profit (HK\$'000)	4,373	2,051
Gross profit margin (%)	24.5	23.7
Loss before tax (HK\$'000)	(9,364)	(9,549)
Loss for the period (HK\$'000)	(9,364)	(9,549)
Basic loss per share (HK cents)	(1.77)	(2.31)

	As at	As at
	30 June	31 December
	2025	2024
	Unaudited	Audited

Total assets (HK\$'000)	22,286	10,878
Deficiency in assets attributable to equity shareholders of the Company (HK\$'000)	(54,608)	(62,021)

Business performance ratios

Current ratio (times)	0.34	0.18
Quick ratio (times)	0.29	0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	<i>Notes</i>	Six months ended 30 June	
		2025	2024
		Unaudited	Unaudited
		HK\$'000	HK\$'000
Revenue	5	17,878	8,651
Cost of sales		(13,505)	(6,600)
Gross profit		4,373	2,051
Other income		57	10
Other losses	6	–	(1,224)
Selling and distribution costs		(605)	(887)
Administrative and other operating expenses		(12,108)	(8,001)
Reversal of impairment/(Impairment) on trade receivables	14	569	(33)
Finance costs	7	(1,650)	(1,465)
Loss before tax	8	(9,364)	(9,549)
Income tax expense	9	–	–
Loss attributable to:			
Owners of the Company		(7,598)	(9,549)
Non-controlling interests		(1,766)	–
		(9,364)	(9,549)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	Notes	Six months ended 30 June	
		2025	2024
		Unaudited HK\$'000	Unaudited HK\$'000
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
– Exchange differences arising on translation of operations outside Hong Kong		(97)	113
Other comprehensive income for the period		(97)	113
Total comprehensive income for the period		(9,461)	(9,436)
Attributable to:			
Owners of the Company		(7,701)	(9,436)
Non-controlling interests		(1,760)	–
		(9,461)	(9,436)
Loss per share attributable to Owners of the Company			
– Basic and diluted	11	HK(1.77) cents	HK(2.31) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

		As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	12	564	–
Right-of-use assets	13	–	–
Total non-current assets		564	–
Current assets			
Inventories		3,311	2,010
Trade receivables	14	14,232	5,298
Prepayments, deposits and other receivables		2,869	2,741
Cash and cash equivalents		1,310	829
Total current assets		21,722	10,878
Current liabilities			
Trade payables	15	14,007	4,766
Other payables and accruals		29,753	25,186
Due to ultimate controlling shareholder	16	2,621	11,470
Due to directors	16	93	307
Due to related companies	16	1,971	1,600
Loan from a director	17	8,000	8,000
Loans from ultimate controlling shareholder	18	4,325	4,458
Lease liabilities	13	2,732	3,957
Total current liabilities		63,502	59,744

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

		As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
	Notes		
Net current liabilities		(41,780)	(48,866)
Total assets less current liabilities		(41,216)	(48,866)
Non-current liabilities			
Loans from ultimate controlling shareholder	18	13,356	12,768
Lease liabilities	13	36	387
Total non-current liabilities		13,392	13,155
Net liabilities		(54,608)	(62,021)
Deficiency in assets			
Share capital	19	4,317	4,227
Reserves		(57,208)	(66,238)
		(52,891)	(62,011)
Non-controlling interests		(1,717)	(10)
Total deficiency in assets		(54,608)	(62,021)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Translation reserve	Statutory and discretionary reserve	Accumulated losses	Total	Non-controlling interest
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
At 1 January 2024	4,127	90,471	5,937	3,368	5,249	(168,467)	(59,325)	-
Loss for the period	-	-	-	-	-	(9,549)	(9,549)	-
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	113	-	-	113	-
Total comprehensive income for the period	-	-	-	113	-	(9,549)	(9,436)	-
Notional interest of existing interest-free loans extension provided by ultimate controlling shareholder (note 18)	-	-	1,309	-	-	-	1,309	-
At 30 June 2024	4,127	90,471	7,246	3,471	5,249	(178,016)	(67,452)	-
At 1 January 2025	4,227	100,147	10,503	3,392	5,249	(185,529)	(62,011)	(10)
Loss for the period	-	-	-	-	-	(7,598)	(7,598)	(1,766)
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	(103)	-	-	(103)	6
Total comprehensive income for the period	-	-	-	(103)	-	(7,598)	(7,701)	(1,760)
Issue of shares	90	15,973	-	-	-	-	16,063	-
Share issue expenses	-	(447)	-	-	-	-	(447)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	53
Notional interest of existing interest-free loans extension provided by ultimate controlling shareholder (note 18)	-	-	1,205	-	-	-	1,205	-
At 30 June 2025	4,317	115,673	11,708	3,289	5,249	(193,127)	(52,891)	(1,717)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025	2024
	Unaudited HK\$'000	Unaudited HK\$'000
Net cash used in operating activities	(4,199)	(290)
Net cash (used in)/from investing activities	(571)	1
Net cash from financing activities	4,986	334
Net increase in cash and cash equivalents	216	45
Cash and cash equivalents at the beginning of the period	829	997
Effect of foreign exchange rate changes on cash and cash equivalents	265	(188)
Cash and cash equivalents at the end of the period	1,310	854

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

China International Development Corporation Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is principally engaged in (i) manufacturing and distribution of leather products (the “**Leather Manufacturing Business**”); (ii) retail of fashion apparel, footwear and leather accessories (the “**Leather Retail Business**”); (iii) industrial hemp planting and production of hemp fabric products (the “**Industrial Hemp Planting Business**”); and (iv) provision of automobile services (the “**Automobile Services Business**”). There was no significant change in the nature of the Group’s principal activities during the interim period.

The directors (the “**Director(s)**”) of the Company considered that Waterfront Holding Group Co., Ltd. (“**Waterfront**”), a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability, is the holding company of the Company and its ultimate controlling shareholder is Mr. Zhao Jingfei (“**Mr. Zhao**”), an executive Director and Chairman of the Company. The registered office of Waterfront is located at Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, BVI.

The unaudited interim condensed consolidated financial statements (the “**Interim Financial Statements**”) are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated. The Interim Financial Statements, which have not been audited, have been reviewed by the audit committee of the Company and approved and authorised for issue by the board (the “**Board**”) of Directors on 29 August 2025.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

(a) Statement of compliance

The Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The Interim Financial Statements contain interim condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 December 2024 (the “**2024 Annual Financial Statements**”). The Interim Financial Statements and notes thereon do not include all the information and disclosures required for full set of financial statements prepared in accordance with HKFRS Accounting Standards, and should be read in conjunction with the 2024 Annual Financial Statements.

(b) Basis of measurement

These Interim Financial Statements have been prepared on the historical cost convention.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Going concern basis

The Group (i) incurred a loss attributable to owners of the Company of approximately HK\$7,598,000 for the six months ended 30 June 2025 and had net current liabilities and deficiency in assets of approximately HK\$41,780,000 and HK\$54,608,000, respectively, as at 30 June 2025; and (ii) only had cash and cash equivalents of approximately HK\$1,310,000 as at 30 June 2025 to meet its financial obligations as at that date. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above circumstances, the Directors have prepared a cash flow forecast of the Group and are satisfied that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least 12 months from 30 June 2025 after taking into account of the following measures (the “**Measures**”):

- (i) the Company has obtained a letter of undertaking from Mr. Qin Bohan (“**Mr. Qin**”), an executive Director of the Company, pursuant to which Mr. Qin agreed not to demand repayment of the loan from him with a principal amount of HK\$8,000,000 as at 30 June 2025 until the Company is in a position to do so. The loan is interest-free, unsecured and has no fixed terms of repayment;
- (ii) in addition to the loan provided by Mr. Qin as stated above, the Company and Mr. Qin entered into another loan agreement on 28 August 2021, pursuant to which, Mr. Qin further granted an unsecured interest-free loan facility up to HK\$30,000,000 (the “**Director Facility**”) to the Company for a term of two years. Pursuant to a supplemental agreement dated 25 March 2025, the expiry date of the Director Facility has been extended with a latest expiry date on 27 August 2027. None of the Director Facility has been utilised as at 30 June 2025 and the date of approving these Interim Financial Statements;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Going concern basis *(Continued)*

- (iii) Mr. Zhao had provided certain loans to the Group with aggregate principal amounts of RMB7,010,000, HK\$2,226,000 and US\$1,480,000 (equivalent to approximately HK\$21,458,000 in aggregate, the **"Shareholder Loans"**) as at 30 June 2025, out of which, aggregate outstanding loan principal amounts of RMB2,510,000, HK\$2,226,000 and US\$1,480,000 (equivalent to approximately HK\$16,523,000 in aggregate) are repayable in 2026 while the remaining loans with aggregate outstanding principal amounts of RMB4,500,000 (equivalent to approximately HK\$4,935,000) has been extended to be repayable in 2027 pursuant to certain supplemental agreements dated 10 March 2025;
- (iv) in addition to the Shareholder Loans, the Company and Mr. Zhao entered into another loan facility agreement on 27 May 2020, pursuant to which, Mr. Zhao further granted an unsecured interest-free loan facility up to HK\$20,000,000 (the **"Shareholder Facility"**) to the Company for a term of two years. The expiry date of the Shareholder Facility has been extended with a latest expiry date of 27 May 2026. None of the Shareholder Facility has been utilised as at 30 June 2025 and the date of approving these Interim Financial Statements;
- (v) the Company has obtained a letter of financial support from Mr. Zhao, pursuant to which, Mr. Zhao agreed not to demand repayment of the Shareholder Loans until the Group is in a position to do so. Mr. Zhao has also confirmed his willingness to further provide adequate financial resources as is necessary to enable the Group both to meet its financial obligations as and when they fall due and to carry on its business for at least 12 months from 30 June 2025;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Going concern basis *(Continued)*

- (vi) the Company has entered into a loan facility agreement with an independent third party (the “**Lender**”) on 28 March 2025, pursuant to which, the Lender granted a loan facility up to HK\$40,000,000 (the “**External Financing Facility**”) to the Company for a term of 18 months. Any amounts drawn down under the External Financing Facility will bear interest at 28% per annum and are unsecured. None of the External Financing Facility has been utilised as at 30 June 2025 and the date of approving these Interim Financial Statements;
- (vii) the Group successfully completed the placing of 9,024,000 new shares at the placing price of HK\$1.78 per share on 18 March 2025, raising net proceeds of approximately HK\$15,616,000 and as announced on 21 August 2025 and disclosed in note 23 to the Interim Financial Statements, the Company has entered into a placing agreement (the “**August 25 Placing**”) with an independent placing agent, who will procure at least six independent placees to subscribe for up to 44,000,000 new shares of the Company at HK\$1.42 per share. The August 25 Placing is expected to raise maximum net proceeds of HK\$60.9 million after expenses. The Company plans to apply HK\$20.9 million of the placing net proceeds to enrich general working capital and strengthen the financial position of the Group. Building on the successful fund raising experiences and connections of the management in capital market, the Directors consider that the Group will and is able to seek for alternative capital and other fund sources on an ongoing basis; and
- (viii) as detailed in the section headed “PROSPECT AND BUSINESS STRATEGIES AND PLANS” in the Management Discussion and Analysis of the Interim Report, the Group has formulated certain business strategies and plans in order to improve the Group’s principal business and thus its financial performance. In addition, the Group remains committed to implement stringent cost management measures as a continuous effort to optimise operational efficiency and minimise the cash outflow of non-essential items. The Directors consider that the business strategies, plans and cost management measures, if materialised, could improve the Group’s revenue performance and financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Going concern basis *(Continued)*

These Interim Financial Statements do not include any adjustments that would result from a failure to obtain such financing to the Group under the Director Facility and the Shareholder Facility, undertakings and/or financial support from Mr. Zhao and Mr. Qin, the External Financing Facility and/or the August 25 Placing, and to result in favourable outcome from the business strategies, plans and cost management measures devised by the Directors, which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2024 Annual Financial Statements, except for the revised HKFRS Accounting Standards that are required to be adopted in the consolidated financial statements for the year ending 31 December 2025. Details of these revised HKFRS Accounting Standards are set out below.

3.1 New and revised HKFRS Accounting Standards adopted by the Group

The Group has adopted the following revised HKFRSs Accounting Standards for the first time for these Interim Financial Statements.

Amendments to HKAS 21

Lack of Exchangeability

The application of the amendments in the current period had no significant impact on the Interim Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 New HKFRS Accounting Standards and amendments to HKFRS Accounting Standards issued but not yet effective for the accounting period beginning on 1 January 2024 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instrument	1 January 2026
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their applications are not expected to have a material impact on the financial performance and the financial position of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. ESTIMATES

The preparation of the Interim Financial Statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2024 Annual Financial Statements.

5. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group consisted of (i) the Leather Manufacturing Business; (ii) the Leather Retail Business; (iii) the Industrial Hemp Planting Business; and (iv) the Automobile Services Business. The Automobile Services Business was commenced in the second half of 2024. The Industrial Hemp Planting Business did not form a separate reportable segment as it has not built its scale and was considered immaterial by the management of the Group.

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group has three (six months ended 30 June 2024: two) reportable 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:

Leather Manufacturing Business	–	Manufacturing and distribution of leather products
Leather Retail Business	–	Retail of fashion apparel, footwear and leather accessories
Automobile Services Business	–	Provision of automobile services

The Group's senior executive management, being the chief operating decision maker, monitors the results of the Group's operating segments separately for the purpose of making decision about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income as well as corporate expenses are excluded from such measurement.

Segment assets exclude tax recoverable and unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

	Leather Manufacturing Business		Leather Retail Business		Automobile Services Business		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2025	2024	2025	2024	2025	2024	2025	2024
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	15,999	8,353	164	298	1,715	-	17,878	8,651
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue (Note (i))	15,999	8,353	164	298	1,715	-	17,878	8,651
Reportable segment loss	(348)	(4,869)	(890)	(561)	(3,610)	-	(4,848)	(5,430)
Interest income							1	1
Unallocated corporate expenses (Note (ii))							(4,517)	(4,120)
Loss before tax							(9,364)	(9,549)
Income tax expense							-	-
Loss for the period							(9,364)	(9,549)

Notes:

- (i) Revenue from the Leather Manufacturing Business and the Leather Retail Business is recognised at a point in time when the control of the products has been passed to customers. Revenue from Automobile Services Business is recognised at a point in time when services are rendered.
- (ii) The amount represented unallocated corporate expenses that are not allocated to operating segments, including professional fees, directors' emoluments, employee costs, foreign exchange loss and other head office expenses as well as the expenses incurred in the Industrial Hemp Planting Business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Leather Manufacturing Business		Leather Retail Business		Automobile Services Business		Total	
	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
Reportable segment assets	68,863	55,856	498	480	1,502	7	70,863	56,343
Elimination of inter-segment and head office's receivables							(48,902)	(46,073)
Unallocated corporate assets							325	608
Consolidated total assets							22,286	10,878
Reportable segment liabilities	48,499	29,850	51,212	50,303	5,011	26	104,722	80,179
Elimination of inter-segment and head office's payables							(80,297)	(65,217)
Unallocated corporate liabilities							52,469	57,937
Consolidated total liabilities							76,894	72,899

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER LOSSES

	Six months ended 30 June	
	2025	2024
	Unaudited HK\$'000	Unaudited HK\$'000
Impairment loss on right-of-use assets	–	1,224

7. FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	Unaudited HK\$'000	Unaudited HK\$'000
Interest on lease liabilities	205	295
Imputed interest on loans from ultimate controlling shareholder (<i>note 18</i>)	1,445	1,170
	1,650	1,465

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2025	2024
	Unaudited HK\$'000	Unaudited HK\$'000
Cost of inventories recognised as expenses	13,505	6,600
Depreciation of property, plant and equipment (<i>note (i)</i>)	18	–
Depreciation of right-of-use assets (<i>note (i)</i>)	–	111
Foreign exchange (gains)/losses, net	(49)	1
Employee costs (excluding Directors' emoluments) (<i>note (i)</i>)	6,389	5,973
(Reversal of impairment)/Impairment on trade receivables	(569)	33
Expenses relating to short-term leases	195	–
Provision for onerous short-term lease contract (<i>note 13</i>)	210	1,080
Interest income	(1)	(1)

Note:

- (i) Cost of inventories recognised as expenses included approximately HK\$1,781,000 (six months ended 30 June 2024: approximately HK\$2,221,000) for the six months ended 30 June 2025 relating to employee costs, depreciation of property, plant and equipment and depreciation of right-of-use assets, which amounts are also included in the respective total amounts disclosed above for each of these types of expenses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE

Under the Hong Kong two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of one subsidiary of the Group, which is a qualifying group entity operating in Hong Kong, is taxed at 8.25%, and its remaining assessable profits is taxed at 16.5% during the six months ended 30 June 2025 and 2024. Other group entities operating in Hong Kong are taxed at 16.5%.

According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower corporate income tax (“**CIT**”) rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the subsidiaries qualified as small scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits) for the six months ended 30 June 2025 and 2024.

No Hong Kong Profits Tax has been provided as the Group did not generate any assessable profits arising in Hong Kong or has available tax losses brought forward from prior years to offset the assessable profits generated for both periods. No provision for CIT is made for both periods as the Group did not generate any assessable profits arising in the Mainland China.

Deferred tax assets have not been recognised in relation to unused tax losses and other deductible temporary differences due to unpredictability of future profit streams. No deferred tax liability has been recognised on the temporary difference in relation to the undistributed earnings of a subsidiary in the Mainland China because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not be reversed in the foreseeable future.

10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2025 and 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the Group's loss for the period of HK\$7,598,000 (six months ended 30 June 2024: HK\$9,549,000) attributable to the owners of the Company and the weighted average number of 428,449,481 (six months ended 30 June 2024: 412,704,000) ordinary shares in issue during the six months ended 30 June 2025.

For the six months ended 30 June 2025 and 2024, no adjustment has been made to the basic loss per share amounts for the respective periods in respect of a dilution as there is no potential dilutive ordinary share in issue for the six months ended 30 June 2025 and 2024.

12. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment amounted to approximately HK\$572,000 for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil), while no disposal of property, plant and equipment was recorded for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

Leather Retail Business

There was no right-of-use assets of the Leather Retail Business (the “**Retail ROA**”) after the expiry of the lease term during the six months ended 30 June 2025. The Directors considered that the maximum amount of the impairment that can be written back for the property, plant and equipment (including leasehold improvements) (the “**Retail PPE**”) of the Leather Retail Business, which has been fully impaired in prior years, is minimal and therefore no assessment of the recoverable amount of the Retail PPE has been performed for the six months ended 30 June 2025.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Leather Manufacturing Business

As at 30 June 2025, the Directors considered that there were impairment indicators on certain of the property, plant and equipment (including leasehold improvements) (the **“Manufacturing PPE”**) and right-of-use assets (note 13) (the **“Manufacturing ROA”**) because of the loss incurred by its Leather Manufacturing Business during the six months ended 30 June 2025. Accordingly, the relevant items of the Manufacturing PPE and Manufacturing ROA of the Leather Manufacturing Business are grouped together to constitute a cash generating unit (the **“Manufacturing CGU”**) for the purpose of the impairment assessment. The Directors assessed the recoverable amounts of the Manufacturing CGU, which were the higher of the value in use (**“VIU”**) and the fair value less costs of disposal (**“FVLCS”**). Since the Directors are of the opinion that the Manufacturing PPE and the Manufacturing ROA have minimal resell value and the FVLCS is considered as zero, the recoverable amount of the Manufacturing CGU is determined based on the VIU. The VIU (the **“2025 Manufacturing Valuation”**) of the Manufacturing CGU as at 30 June 2025 has been determined by the Directors by using the discounted cashflow projection for a period covering from 2025 to 2026. There was no change in valuation method in the 2025 Manufacturing Valuation as compared with prior year. The discount rate used in 2025 Manufacturing Valuation was 13%, which is the weighted average cost of capital derived from market data.

Based on the 2025 Manufacturing Valuation, the recoverable amounts of the Manufacturing PPE and Manufacturing ROA were estimated to be zero. No write back of impairment loss on the fully impaired Manufacturing PPE (six months ended 30 June 2024: Nil) was considered necessary for the six months ended 30 June 2025.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES

The Group has lease contracts for various office premises, retail shop, manufacturing plant and warehouse used in its operation. During the six months ended 30 June 2025, the Group entered into a lease agreement for the corporate head office for a term of 3 months with an auto renewal clause for additional 3 months upon expiry (six months ended 30 June 2024: a lease agreement for extension of existing office premises of the Leather Manufacturing Business for a term of 2 years). No right-of-use assets and lease liabilities were initially recognised during the six months ended 30 June 2025 (six months ended 30 June 2024: right-of-use assets and lease liabilities amount to approximately HK\$1,335,000, respectively).

(a) Right-of-use assets

There was no Retail ROA after the expiry of lease term during the six months ended 30 June 2025.

As detailed in note 12 to the Interim Financial Statements, the Group performed an impairment assessment on the Manufacturing ROA. Based on the 2025 Manufacturing Valuation, no write back of impairment loss on the fully impaired Manufacturing ROA was considered necessary during the six months ended 30 June 2025 (six months ended 30 June 2024: an impairment loss of approximately HK\$1,224,000 was recognised).

(b) Lease liabilities

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

	Six months ended 30 June 2025 Unaudited HK\$'000	Year ended 31 December 2024 Audited HK\$'000
Beginning of the period/year	4,344	6,213
Additions	–	1,681
Interest expenses (<i>note 7</i>)	205	588
Payment of lease liabilities	(1,870)	(4,006)
Exchange realignment	89	(132)
Balance at end of the period/year	2,768	4,344

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES (Continued)

(b) Lease liabilities (Continued)

	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
Analysed into:		
Current portion	2,732	3,957
Non-current portion	36	387
	2,768	4,344

(c) Short-term leases

Based on the business forecast prepared by the Directors, the short-term lease for the corporate head office is regarded as onerous and provision for onerous short-term lease contract of approximately HK\$210,000 (six months ended 30 June 2024: HK\$1,080,000) was recognised in profit and loss for the six months ended 30 June 2025.

The operating lease commitments related to short-term leases for a retail shop and the corporate head office entered by the Group were approximately HK\$307,000 and HK\$70,000, respectively, as at 30 June 2025 (31 December 2024: approximately HK\$675,000 and HK\$186,000, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES

	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
Trade receivables	15,714	7,349
Less: Impairment loss	(1,482)	(2,051)
Net carrying amounts	14,232	5,298

No credit term is granted to customers of the Leather Retail Business and the Automobile Services Business. Customers of the Leather Manufacturing Business are generally granted with credit terms of 30 to 90 days from the date of invoice. The Group does not hold any collateral or other credit enhancements over its receivable balances. Trade receivables are non-interest bearing. The ageing analysis of trade receivables based on the invoice date (net of impairment loss) at the end of reporting period is as follows:

	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
Less than 30 days	13,538	5,168
31–60 days	–	–
61–90 days	–	–
91–120 days	–	–
121–365 days	694	130
More than 365 days	–	–
	14,232	5,298

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES *(Continued)*

The following table provides information about the Group's exposure to credit risk and the loss allowance for expected credit loss ("ECLs") for trade receivables as at 30 June 2025:

	Expected loss rate %	Gross carrying amount HK\$'000	Expected credit loss HK\$'000	Net carrying amount HK\$'000
Current (not past due)	0.15	13,559	(21)	13,538
1–30 days past due	N/A	–	–	–
31–60 days past due	N/A	–	–	–
61–90 days past due	11.64	786	(92)	694
91–365 days past due	100.00	33	(33)	–
Over 365 days past due	100.00	1,336	(1,336)	–
		15,714	(1,482)	14,232

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES *(Continued)*

The following table provides information about the Group's exposure to credit risk and the loss allowance for ECLs for trade receivables as at 31 December 2024:

	Expected loss rate %	Gross carrying amount HK\$'000	Expected credit loss HK\$'000	Net carrying amount HK\$'000
Current (not past due)	6.25	5,513	(345)	5,168
1–30 days past due	N/A	–	–	–
31–60 days past due	N/A	–	–	–
61–90 days past due	72.61	474	(344)	130
91–365 days past due	100.00	239	(239)	–
Over 365 days past due	100.00	1,123	(1,123)	–
		7,349	(2,051)	5,298

Expected credit losses are measured by using a provision matrix. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the historical trade receivables loss rate, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking factors including forecasts of future economic conditions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES *(Continued)*

Movements in the loss allowance for expected credit loss of trade receivables during the period/year are as follows:

	Six months ended 30 June 2025 Unaudited HK\$'000	Year ended 31 December 2024 Audited HK\$'000
Beginning of the period/year	2,051	1,171
(Reversal of)/Provision for impairment loss	(569)	880
Balance at end of period/year	1,482	2,051

15. TRADE PAYABLES

Details of the ageing analysis of the trade payables based on the invoice date at the end of reporting period are as follows:

	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
Less than 30 days	3,289	445
31–60 days	6,081	388
61–90 days	1,332	3,155
91–120 days	2,497	25
121–365 days	300	305
More than 365 days	508	448
	14,007	4,766

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. DUE TO ULTIMATE CONTROLLING SHAREHOLDER, DIRECTORS AND RELATED COMPANIES

The amount due to a director, namely Mr. Qin, amounting to approximately HK\$53,000 as at 30 June 2025 (31 December 2024: approximately HK\$307,000), is unsecured, interest free and has no fixed terms of repayment.

The amount due to a director, namely Mr. Leung Wai Kit, amounting to approximately HK\$40,000 as at 30 June 2025 (31 December 2024: Nil), is unsecured, interest free and has no fixed terms of repayment.

The amount due to the ultimate controlling shareholder, namely Mr. Zhao, amounting to approximately HK\$2,621,000 (31 December 2024: approximately HK\$11,470,000) is unsecured, interest-free and has no fixed terms of repayment.

The amounts due to related companies, namely 北京盛茂坤科技產業發展有限公司, Heroic Achieve Ltd and 中汽華輪（北京）科技有限公司, amounting to approximately HK\$1,655,000, HK\$260,000 and HK\$56,000, respectively (31 December 2024: approximately HK\$1,600,000, Nil and Nil, respectively) are unsecured, interest-free and have no fixed terms of repayment.

17. LOAN FROM A DIRECTOR

On 28 October 2019, the Company entered into a loan agreement with an executive Director, Mr. Qin, pursuant to which, Mr. Qin granted a loan of HK\$8,000,000 to the Company which is unsecured, interest-free and is repayable on demand. Mr. Qin has confirmed that he will not demand for repayment of the loan due to him until the Company is in a position to do so.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER

	Six months ended 30 June 2025 Unaudited HK\$'000	Year ended 31 December 2024 Audited HK\$'000
Beginning of the period/year	17,226	19,517
Loan extension agreements entered: Notional interest saving arising from the interest-free loans	(1,205)	(4,566)
	16,021	14,951
Imputed interest charged	1,445	2,503
Exchange realignment	215	(228)
Balance at end of period/year	17,681	17,226
Less: Current portion	(4,325)	(4,458)
Non-current portion	13,356	12,768

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER *(Continued)*

Analysed into:

	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
Loans from ultimate controlling shareholder repayable:		
Within one year	4,325	4,458
In the second year	13,356	12,768
In the third to fifth years, inclusive	–	–
Beyond five years	–	–
Total	17,681	17,226

Mr. Zhao, the ultimate controlling shareholder, has granted certain interest-free loans to the Group with aggregate principal amounts of RMB7,010,000 (the “**RMB Loans**”), HK\$2,226,000 (the “**HK\$ Loans**”) and US\$1,480,000 (the “**US\$ Loans**”) (equivalent to approximately HK\$21,458,000 in aggregate, collectively the “**Shareholder Loans**”) as at 30 June 2025 (31 December 2024: RMB7,010,000, HK\$2,226,000 and US\$1,480,000 (equivalent to approximately HK\$16,523,000 in aggregate)).

The HK\$ Loans and US\$ Loans are repayable in January to August 2026 and were accounted for at amortised cost, using effective interest rates of 16% and 17%, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER *(Continued)*

Among the RMB Loans, an interest-free loan with an outstanding principal amount of RMB2,510,000 (equivalent to approximately HK\$2,753,000) is repayable on 30 June 2026. The remaining RMB Loans with aggregate outstanding principal amounts of RMB4,500,000 (equivalent to approximately HK\$4,935,000) has been extended for two years to be repayable during March 2027 to June 2027 pursuant to certain supplemental agreements dated 10 March 2025. As at 30 June 2025, the RMB Loans were accounted for at amortised cost, using effective interest rates from 14% to 16%.

Mr. Zhao has confirmed that he will not demand for repayment of the Shareholder Loans until the Group is in a position to do so.

19. SHARE CAPITAL

Authorised and issued share capital

	As at 30 June 2025 Unaudited HK\$'000	As at 31 December 2024 Audited HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid:		
431,740,000 (2024: 422,716,000) ordinary shares of HK\$0.01 each	4,317	4,227

On 18 March 2025, 9,024,000 ordinary shares were issued at a subscription price of HK\$1.78 per share for a total cash consideration, before share issuing expenses of HK\$16,062,720 in which, as to HK\$15,972,480 was recognised as share premium during the six months ended 30 June 2025. The related issuing expenses of approximately HK\$447,000 was deducted from the share premium.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. COMMITMENTS

On 15 May 2025, the Company and an independent third party entered into an agreement regarding the establishment of a subsidiary, which will principally engaged in the operation of an E-commerce platform, in which 51% of the equity interest shall be held by the Group and 49% of the equity interest shall be held by the counterparty. The Company has a capital commitment of HK\$255,000 pursuant to the agreement.

Apart from the aforementioned capital commitment and the operating lease commitments disclosed in note 13 to the Interim Financial Statements, the Group had no significant commitments as at 30 June 2025 and 31 December 2024.

21. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2025 and 31 December 2024.

22. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the balances and transactions with related parties disclosed elsewhere in the Interim Financial Statements, the Group has the following material related party transactions during the periods.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the periods are as follows:

	Six months ended 30 June	
	2025 Unaudited HK\$'000	2024 Unaudited HK\$'000
Short-term benefits	1,551	450
Post employment benefits	—	—
	1,551	450

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the reporting period:

1. On 21 August 2025, the Company entered into a sale and purchase agreement with an independent third party to acquire 20% of the issued share capital of NVTH Limited (the **“Target Company”**), a company incorporated in the BVI with limited liability, for a total consideration of HK\$100,000,000 (the **“NVTH Acquisition”**). The consideration will be satisfied by HK\$40,000,000 in cash and HK\$60,000,000 through the allotment and issue of 42,253,000 new shares (the **“Consideration Shares”**) of the Company at HK\$1.42 per share. The Consideration Shares represent approximately 9.79% of the Company’s existing share capital, or 8.16% as enlarged by both the Consideration Shares and the Placing Shares (as defined in (2) below). The Target Company together with its subsidiaries are principally engaged in the provision of (i) blockchain-based technology infrastructure platform for real-world asset (**“RWA”**) tokenization, (ii) institutional-grade trading and liquidity solutions bridging traditional finance and decentralized Web3 markets, and (iii) compliance-focused ecosystem services for capital market participants. Upon completion, the Target Company will become an associated company of the Company and will be accounted for using the equity method in the consolidated financial statements of the Company. The completion of the NVTH Acquisition shall be subject to and conditional upon, among others, the completion of the August 25 Placing.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

2. On the same date, the Company also entered into a placing agreement with an independent placing agent, who will procure at least six independent placees to subscribe for up to 44,000,000 new shares (the **“Placing Shares”**) of the Company at HK\$1.42 per share (the **“August 25 Placing”**). The Placing Shares represent about 10.19% of the Company’s existing issued shares, or 8.49% as enlarged by both the Consideration Shares and the Placing Shares. The August 25 Placing is expected to raise maximum gross proceeds of HK\$62.5 million, with estimated net proceeds of HK\$60.9 million after expenses. The Company plans to use HK\$40 million to fund the cash consideration portion of the NVTH Acquisition and the remaining HK\$20.9 million to enrich general working capital and strengthen the financial position of the Group.

As at the date of approving these Interim Financial Statements, neither the NVTH Acquisition nor the August 25 Placing have been completed.

24. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW

For the six months ended 30 June 2025 (the “**Reporting Period**”), the Group’s revenue was increased by approximately 106.7% from approximately HK\$8,651,000 for the six months ended 30 June 2024 to approximately HK\$17,878,000. Gross profit was increased by approximately 113.2% from approximately HK\$2,051,000 for the six months ended 30 June 2024 to approximately HK\$4,373,000 for the six months ended 30 June 2025. The gross profit margin of the Group was increased from approximately 23.7% for the six months ended 30 June 2024 to approximately 24.5% for the six months ended 30 June 2025. The increase in revenue was primarily attributable to a significant increased sales volume and sales initiatives, leading to an increase in revenue and gross profit of the Group. Performance of the Group’s business is covered in more details under the “Business Review” section below.

Other income was increased from approximately HK\$10,000 for the six months ended 30 June 2024 to approximately HK\$57,000 for the six months ended 30 June 2025.

Selling and distribution costs were decreased by approximately 31.8% from approximately HK\$887,000 for the six months ended 30 June 2024 to approximately HK\$605,000 for the six months ended 30 June 2025. The decrease was primarily due to the reduction of freight charges led by the lower overseas sales during the six months ended 30 June 2025.

Administrative and other operating expenses were increased by approximately HK\$4,107,000 to approximately HK\$12,108,000 (six months ended 30 June 2024: approximately HK\$8,001,000) for the six months ended 30 June 2025. The increase was mainly due to (i) the new appointment of directors during the six months ended 30 June 2025, (ii) the increase in employee costs for the Automobile Services Business, and (iii) the increase in professional fees for corporate activities and public relations.

There was no other losses for the six months ended 30 June 2025 as compared to approximately HK\$1,224,000 for the six months ended 30 June 2024, which mainly comprised the impairment of right-of-use assets of the Leather Manufacturing Business incurred in the corresponding period in 2024.

As a result of the above, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$7,598,000 (six months ended 30 June 2024: approximately HK\$9,549,000) for the six months ended 30 June 2025. Loss per share for the six months ended 30 June 2025 was 1.77 HK cents (six months ended 30 June 2024: 2.31 HK cents).

BUSINESS REVIEW

During the six months ended 30 June 2025, the Leather Manufacturing Business, Leather Retail Business and Automobile Services Business segments accounted for approximately 89.5% (six months ended 30 June 2024: approximately 96.6%), approximately 0.9% (six months ended 30 June 2024: approximately 3.4%) and approximately 9.6% (six months ended 30 June 2024: Nil) of the total revenue of the Group, respectively.

Leather Manufacturing Business

For the year ended 31 December 2024 (“**FY2024**”), revenue of the Leather Manufacturing Business from external customers was approximately HK\$21,433,000, representing a decrease of approximately 27.5% in comparison with approximately HK\$29,547,000 for the year ended 31 December 2023 (“**FY2023**”). In addition to the reasons disclosed in the annual results announcement and the annual report of the Company for FY2024, such decrease in the revenue of the Leather Manufacturing Business was also attributable to: (i) postponement of delivery schedule or cancellation of orders from certain customers due to their internal decisions; (ii) halt of business relationship with a customer due to a change in such customer’s management which led to a re-assessment of the Group’s supplier qualification; (iii) an adjustment in the Company’s factory management (the “**Factory Management Adjustment**”) temporarily affected the Company’s factory operations, in particular the manufacturing orders for the fourth quarter of 2024; (iv) staff turnover of the Company’s factory (the “**Staff Turnover**”) led to a decline in factory production capacity, resulting in delayed deliveries for some client orders between June and August 2024; and (v) the Group began to replace the original suppliers (which offered credit terms but charged higher prices for raw materials) with new suppliers in May 2024 (the “**Replacement of Raw Material Suppliers**”) in order to reduce cost. As new suppliers required payment before delivery and customer payments were received later, resulting in reliance on internal financial resources, the Group faced cash flow pressure and disruptions in raw material supply, causing delayed deliveries for some orders in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2025, the Group's revenue from its Leather Manufacturing Business from external customers was increased by approximately 91.5% from approximately HK\$8,353,000 for the six months ended 30 June 2024 to approximately HK\$15,999,000. In line with the increase in segment revenue, the segment loss for six months ended 30 June 2025 decreased by approximately HK\$4,521,000 from approximately HK\$4,869,000 for the six months ended 30 June 2024 to approximately HK\$348,000. Such improvement of the Leather Manufacturing Business's result was mainly due to (i) an active expansion into the Mainland China market. Leveraging its handbag, accessories, and other leather goods product lines, the Company can effectively offset the impact of decreasing structural demand in the European and the United States of America (the "**United States**") markets through a hybrid online and offline sales model; (ii) a shift of the business model from "production-focused" to "sales and trade-focused" model. By controlling its own production scale, strengthening outsourcing partnerships, and enhancing supply chain management, the Group has focused resources on brand marketing and customer service, significantly improving market responsiveness; and (iii) deepening cross-industry design and supply chain upgrades in its traditional belt business, the Group significantly expanded its customer base and increased order volume by actively exploring small and medium-sized customers, start-ups, e-commerce partners, and cross-sector enterprises.

As at the date of this report, the Group's Leather Manufacturing Business revenue continued to maintain a growth trend, further demonstrating the effectiveness of the Group's strategic adjustments, particularly in respect of market expansion in the Mainland China and cooperation with emerging customers. Overall, the Leather Manufacturing Business is actively pursuing strategic transformation and is expected to sustain steady recovery in the second half of 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue analysis by geographic location:

	Six months ended 30 June			
	2025		2024	
	Unaudited		Unaudited	
	HK\$'000	%	HK\$'000	%
United States	–	–	807	9.6
Europe	2,743	17.1	3,046	36.5
Hong Kong, China	1,371	8.6	91	1.1
The Mainland China	11,779	73.6	408	4.9
Others	106	0.7	4,001	47.9
	15,999	100.0	8,353	100.0

Revenue analysis by product category:

	Six months ended 30 June			
	2025		2024	
	Unaudited		Unaudited	
	HK\$'000	%	HK\$'000	%
Belts	8,039	50.3	7,780	93.1
Leather goods and other accessories	7,960	49.7	573	6.9
	15,999	100.0	8,353	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Leather Retail Business

Due to the weak economic environment, changes in consumption patterns and industry competition pressure, the performance of offline retail stores did not meet the Group's expectation in FY2024. In addition, the e-commerce business, which was originally planned to start in the third quarter of 2024 and be fully launched in the fourth quarter of 2024, had not been proceeded until the second quarter of 2025. Therefore, the revenue generated from the Leather Retail Business in FY2024 dropped compared to that in FY2023.

For the six months ended 30 June 2025, revenue generated from the Leather Retail Business was approximately HK\$164,000, representing a decrease of approximately 45.0% as compared to approximately HK\$298,000 for the six months ended 30 June 2024. Such decrease in revenue was mainly attributable to the continued uncertainty of overall economic conditions in Hong Kong and the Mainland China, and the high number of outbound travel by Hong Kong residents which affected the revenue in the Leather Retail Business.

Due to the decrease in revenue generated from the Leather Retail Business, there was an increase in operating loss recorded by the Group's Leather Retail Business segment, recorded an operating loss of approximately HK\$890,000 (six months ended 30 June 2024: approximately HK\$561,000) for the six months ended 30 June 2025.

Revenue analysis by geographic location:

	Six months ended 30 June 2025		2024	
	Unaudited HK\$'000	%	Unaudited HK\$'000	%
Hong Kong	164	100.0	298	100.0

As at 30 June 2025, the Group operated one AREA 0264 store and one Teepee Leather workshop in Hong Kong (30 June 2024: one AREA 0264 store and one Teepee Leather workshop).

The Directors are of the view that the decrease in revenue in the Leather Manufacturing Business and the Leather Retail Business in FY2024 represents a temporary downturn only, based on the following assessment:

(i) *Financial Performance Pressured by External Factors Related to the United States*

The United States-China trade tensions and tariff barriers have led to widespread export pressures and order fluctuations in the global leather goods industry. As the United States market had always been the largest market of the Group's Leather Manufacturing Business, the Group's financial performance has been impacted, with a significant decline in revenue attributable by the United States market. The Group has developed a clear strategy to reduce reliance on the United States market, actively expanding into Europe and the Mainland China to effectively diversify the risks of over-reliance on the United States market.

(ii) *Factory Efficiency Optimization*

In 2024, the Group was affected by the Factory Management Adjustment, the Staff Turnover, and the Replacement of Raw Material Suppliers. The Factory Management Adjustment was completed by the end of 2024. To address the Staff Turnover, the Group's current strategy involves outsourcing orders as early as possible when production capacity is foreseen to be insufficient, and dynamically adjusting staffing and roles once new client orders stabilize. The Group is now flexibly allocating employees based on order demands to mitigate the impact of the Staff Turnover. Regarding the impact of the Replacement of Raw Material Suppliers, over 50% of new suppliers have adopted monthly settlement terms, with expectations that by the end of 2025, over 80% will operate on monthly or quarterly terms. Therefore, factory operational efficiency is expected to improve significantly, reducing order delivery delays.

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Delay in the E-commerce Business for the Leather Retail Business is an Issue of Execution, but has Promising Potential

The delay in rolling out the e-commerce business for the Leather Retail Business is primarily due to time-consuming technical integration and market testing, not due to flaws in the business model or strategy. In mid-May 2025, the Company and East Shack Limited has signed a formal agreement regarding the establishment of a joint venture company for building an independent overseas website platform (the “**E-commerce Platform**”). For details of the E-commerce Platform, please refer to the section headed “PROSPECT AND BUSINESS STRATEGIES AND PLANS – Leather Retail Business”.

(iv) Expansion of Customised Services

The Leather Manufacturing Business will launch the Customised Products Line (as defined below) focusing on expanding customised services for products such as handbags, accessories and automotive interior trim, with new materials and e-commerce virtual trial, and is expected to achieve growth and expansion of orders in the Mainland China. For details of the Customised Products Line, please refer to the section headed “PROSPECT AND BUSINESS STRATEGIES AND PLANS – Leather Manufacturing Business”.

(v) New Business Development to Diversify Revenue Streams

In December 2024, the Group established a joint venture company with a strategic partner, formally expanding its business scope into the automobile services sector. This move is expected to provide stable and diversified new revenue streams for the Group in the future. For details of the Automobile Services Business, please refer to the section headed “PROSPECT AND BUSINESS STRATEGIES AND PLANS – Automobile Services Business”.

The Group’s short-term financial pressures stem from external and temporary factors such as United States-China trade policies and the slow recovery of consumer confidence post-pandemic, not internal problems. The Group has taken proactive measures, including optimizing market structures, improving factory efficiency, advancing e-commerce business for the Leather Retail Business, optimizing traditional businesses, and expanding into the Automobile Services Business. While the aforementioned strategies are implemented in 2025, revenue and profits of the Group have been recovering steadily.

Automobile Services Business

The Group has expanded its new business into the Automobile Services Business by setting up a joint venture with a strategic partner in December 2024. The Group has recorded revenue of approximately HK\$1,715,000 (six months ended 30 June 2024: Nil) for the six months ended 30 June 2025. The Automobile Services Business resulted in a loss of approximately HK\$3,610,000 for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil). However, in order to adapt to market changes and realise the Group's long-term development goals, the Group is of the view that engaging in the Automobile Services Business will provide the Group with a stable source of income in the future.

PROSPECT AND BUSINESS STRATEGIES AND PLANS

Leather Manufacturing Business

In 2025, the Leather Manufacturing Business is taking a two-pronged approach as follows: (i) the traditional leather belt products will be strengthened through the co-design of classic models and supply chain upgrading to enhance the product line, thereby increasing the order rate of customers; and (ii) a separate line of products (the “**Customised Products Line**”) has been launched in the second quarter of 2025, with the core of “High-end Craftsmanship” and “Sustainable Fashion”, focusing on expanding customised services for products such as handbags, accessories and automotive interior trim, with new materials and e-commerce virtual trial, and is expected to achieve growth and expansion of orders in the Mainland China.

The main products of the Customised Products Line cover customised services for products such as handbags, accessories and automotive interior trim. The target markets are primarily Europe and the Mainland China, adopting a dual-track online and offline sales models. For online sales, the Group is also exploring the possibility of using the E-commerce Platform.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group adopts a combination of in-house manufacturing and outsourced manufacturing, enabling rapid response to personalized customisation services based on business needs and market feedback to ensure product quality and delivery efficiency. To address rising raw material prices, the Group will sign long-term agreements with suppliers or seek alternative materials to reduce costs. To mitigate inventory risks, the Group adopts a made-to-order production model to minimize unsold stocks. In addition, in response to intensifying competition, the Group aims at strengthening brand differentiation to enhance customer repurchase rates.

The initial investment of the Customised Products Line is approximately HK\$0.7 million, and the revenue generated from the second quarter of 2025 will to be invested in subsequent business operations.

Leather Retail Business

The Group has made preparations to expand its retail sales network to offline supermarkets in the UK and also plans to expand its retail sales network in the Mainland China. Having considered that the online channel sales contributed small portion of the total revenue, and the current sale platform coverage remains limited, the Group has taken steps to expand into online retail sales in 2025.

(A) *E-commerce JV Company*

In mid-May 2025, the Company and East Shack Limited signed a formal agreement regarding the establishment of a joint venture (the “**E-commerce JV Company**”), in which 51% of the equity interest shall be held by the Group and 49% of the equity interest shall be held by East Shack Limited.

East Shack Limited is an overseas digital marketing infrastructure service platform specialising in social media. It leverages AI toolchains, AI small models, edge computing, and hardware technology solutions to build an overseas social media infrastructure platform. By utilising digitalisation and AI-driven intelligent matrix traffic construction and multi-scenario operations, it provides comprehensive overseas marketing services, including social media management and promotional traffic generation, to support client brands in achieving growth in international markets. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, East Shack Limited and its ultimate beneficial owners are independent third parties of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The E-commerce JV Company will then establish the E-commerce Platform. The E-commerce platform will leverage a social media traffic network strategy to promote across major international platforms such as TikTok, Facebook, and Instagram, in order to significantly accelerate market penetration of the Group. The E-commerce Platform can also reduce reliance on traditional advertisement, thereby further improving net profit of the Group. Through the implementation of the E-commerce Platform and integrated with overseas social media traffic operations, influencer marketing, and live-streaming e-commerce strategies, the Group not only will effectively reduce operational costs and advertising expenses and improve customer conversion rates and sales revenue, but will also accelerate the establishment of global brand recognition and optimise overall resource allocation.

The Group's primary responsibilities include, but are not limited to: (a) providing product and supply chain resources; (b) assisting with financial arrangements and business negotiations; (c) participating in platform strategy and decision-making; and (d) supporting logistics and regulatory compliance resource integration.

East Shack Limited's primary responsibilities include, but are not limited to: (a) overseeing platform technology development and system operations; (b) forming technical and operational teams; (c) managing digital promotion, SEO, and KOL resource coordination for overseas marketing; and (d) providing overseas market promotion strategies and channel resources.

The E-commerce JV Company is expected to be established in the third quarter of 2025. The E-commerce JV Company is currently defining its product categories, target markets and logistics routes. The E-commerce Platform is also being set up, and will proceed to integration with the KOL network. The E-commerce JV Company will also establish logistics channels with Hong Kong warehouses and EU/UK distributors. Subsequently, the E-commerce JV Company will execute its initial KOL marketing campaigns and evaluate the project's early performance.

MANAGEMENT DISCUSSION AND ANALYSIS

(B) Product Launch

In order to diversify the products of the Group's Leather Retail Business, the Group plans to launch low-priced products to attract customers, and also cooperate with designers/IPs to launch joint products (the **"Product Launch"**). The main sales channel of such products will be the E-commerce Platform.

The Group has formulated a strategic expansion and collaboration plan for the Product Launch, which emphasizes thorough market research, product development, strategic partnerships, and a robust marketing rollout to ensure a successful launch. After conducting market research in Hong Kong, Asian markets and the UK, a core product line consisting of small accessories has been defined. Initial product concepts which align with brand identity and trends have been developed. The Group will start negotiating with designers and IPs. The Group will then produce samples and start to formulate branding strategies. From mid-September to mid-November 2025, samples will be tested by the Group and KOLs, followed by more concrete production and marketing plans. The Group plan to launch products across stores and digital channels from mid-November 2025.

Automobile Services Business

Business Model

The Automobile Services Business is operated through Flex Fuel Eco Company Limited (法氫環保潔淨有限公司) (the **"Automobile Service JV Company"**) and FlexFuel Hydrogen Development (Shenzhen) Company Limited (法氫新能源(深圳)有限公司) (the **"JV SZ Subsidiary"**).

The Automobile Service JV Company is a joint venture company incorporated in December 2024, held as to 51% by a wholly owned subsidiary of the Company and 49% by Flex Fuel Hydrogen Development Group Limited (法氫新能源集團有限公司) (the **"FF Private Company"**). The JV SZ Subsidiary is a company established in the Mainland China and wholly owned by the Automobile Service JV Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The FF Private Company, a company founded by Mr. Fong Sze Chun ("**Mr. Fong**"), holds the exclusive right from Flex Fuel Energy Development SAS (the "**French Company**") to distribute, manufacture and provide hydrogen engine cleaning service in Asia. The French Company, incorporated in France, developed the hydrogen cleaning technology under the brand of Flex Fuel to provide engine cleaning services by hydrogen injection.

With the technology from the FF Private Company, the Automobile Service JV Company and the JV SZ Subsidiary will be able to provide hydrogen injection cleaning system for engines in automobile, vessels, aircrafts and heavy machinery under the brand of Flex Fuel (the "**hydrogen cleaning systems**").

As disclosed in the announcements of the Company dated 4 November 2024, 28 November 2024 and 19 March 2025, since the setting up of the Automobile Service JV Company, more than 60 hydrogen decarbonizing and cleaning stations have been imported and installed in over 20 locations in the Mainland China, including but not limited to places in Beijing, Wuhan, Xinjiang, the Northwest region, Guangdong province and Macau. Service agreements have been entered with large conglomerates in the Mainland China.

In view of the development progress of the JV SZ Subsidiary and the demand for hydrogen cleaning system worldwide, the Company entered into a memorandum of understanding for the proposed acquisition of a majority stake in an Australian company (the "**Target Company**") which is principally engaged in providing novel clean technology and services to optimize engine performance in Australia with an aim to reduce carbon build-up in engines, improve fuel efficiency, and reduce harmful emissions, ultimately enhancing the performance and lifespan of the automotive parts. The proposed acquisition, if materialises, will allow the Group to tap into the Australian market and leverage on the existing local establishment and network of the Target Company. For details, please refer to the announcement of the Company dated 17 April 2025.

Revenue will be generated through (i) provision of hydrogen cleaning services; (ii) sale of hydrogen decarbonizing and cleaning stations; and (iii) rental of hydrogen decarbonizing and cleaning stations. These are expected to generate a steady stream of income for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Source of Funding

The operation of the Automobile Services Business shall be funded by external resources. As at the date of this report, the Company is in discussion with various investment funds, institutional and individual investors from Hong Kong and Asia. The Company may issue new shares to raise funds to support the Automobile Service Business. In addition, the Company has applied for bank credit line with certain banks as another source of funds.

Management and Staff

Mr. Fong, who is one of the shareholders of the FF Private Company and a shareholder of the French Company, has substantial management experience on sustainable development, environment, energy and infrastructure. Mr. Jerome Jean Jacques Loubert (“**Mr. Loubert**”) is one of the shareholders of the FF Private Company. Mr. Loubert is also the co-founder of Jupiter Elite France which developed an automobile hydrogen hybrid system. Both Mr. Fong and Mr. Loubert have substantial experience and knowledge in the Automobile Services Business and were appointed as executive directors of the Company on 9 April 2025. Biographical details of Mr. Fong and Mr. Loubert are set out in the announcement of the Company dated 9 April 2025.

The Automobile Service JV Company has 4 directors, of whom Mr. Leung Wai Kit and Mr. Qin Bohan are also directors of the Company. The chairman of the Automobile Service JV Company is Leung Wai Kit who has an extra vote in case of equality of vote in the board meeting.

The JV SZ Subsidiary has one director, Mr. Lai Hok Kan Jeffery (“**Mr. Lai**”), who is also the legal person of the JV SZ Subsidiary. It is intended that Mr. Lai will have a marketing role in the Company. The chief executive officer of the JV SZ Subsidiary is Mr. Chiang Chien Chih (“**Mr. Chiang**”), who is also a director of the Company.

Currently, the business development of the JV SZ Subsidiary is mainly handled by Mr. Chiang who has extensive and hands-on experience in the hydrogen energy industry before joining the Group, he now stations in the Mainland China to operate the JV SZ Subsidiary and reports to the Company on the progress.

Source of Supply

The hydrogen decarbonising and cleaning stations are either manufactured in France or the Mainland China and a logistics company will be engaged to deliver the same to the designated locations.

Infrastructure and Other Functions in Support of the Operations

As part of its Automobile Service Business, the Group will introduce and launch new products, such as the Hy Carbon X3 DPF cleaning system, and offer value-added services to existing customers.

Hy Carbon X3 DPF cleaning system offers innovative and unique high-quality and environmentally friendly DPF (i.e. diesel particulate filter) maintenance technology that can be applied to diesel and gasoline engines to effectively clean DPFs, injectors, and intake manifolds. This is a reliable cleaning agent that is self-owned and has a liquid level control system. It can work without disassembling the DPF or three-way catalyst.

The JV SZ Subsidiary has opened an account of Tiktok and is expected to link with Hangzhou Suremoove Automobile Technology Service Company Limited* (杭州小拇指汽車科技服務有限公司) (operated under the brand name Suremoove (小拇指) which is a franchised chain brand in the Chinese automobile aftermarket) and Dacheng Truck Repair Chain (a brand of Jilin Dacheng Fangxin Automobile Service Co., Ltd.* (吉林省大成放心汽車服務有限公司) ("**Jilin Dacheng**") in relation to truck repair service) in June 2025. It is intended that posts, reels and videos will be made on the Tiktok account to promote the products and services of the JV SZ Subsidiary.

In addition, the Group plans to develop mobile and desktop applications that will enable customers to schedule services, make payments, and calculate the benefits of emission reductions.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

Business Strategies and Plans

There are currently 1,500 service stations in the Mainland China that have been in operation through collaboration with Jilin Dacheng's repair stores in the Mainland China. In the coming five years, the Group plans to expand its services across Asia Pacific through similar model of collaborating with customers' repair stores.

The Group will also continue to introduce new environmentally friendly products and engage in research and development to refine hydrogen production systems and engine maintenance solutions to ensure a competitive advantage.

To achieve its expansion plan, the Group may consider raising additional capital to expand into new markets in Australia and build new service stations in high-demand regions.

The Board considers that the above business plan, if materialised, could diversify the Group's product portfolio and income streams, thereby improving its profitability and financial position in the long term.

The Group will continue to work with customers, shareholders and business partners for the sustainable social development and concurrently review its strategic business directions and operations with a vision to further mitigate loss and to maximise its shareholders' value.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2025, the Group's cash and bank deposits were approximately HK\$1,310,000 as compared to approximately HK\$829,000 as at 31 December 2024.

The Group recorded total current assets of approximately HK\$21,722,000 as at 30 June 2025 (31 December 2024: approximately HK\$10,878,000) and total current liabilities of approximately HK\$63,502,000 as at 30 June 2025 (31 December 2024: approximately HK\$59,744,000). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.34 times as at 30 June 2025 (31 December 2024: approximately 0.18 times).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2025, the Group had total assets amounting to approximately HK\$22,286,000 (31 December 2024: approximately HK\$10,878,000) and total liabilities of approximately HK\$76,894,000 (31 December 2024: approximately HK\$72,899,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 345.0% (31 December 2024: approximately 670.2%) as at 30 June 2025.

The increase in current ratio and the decrease in gearing ratio were mainly due to the raising of funds by way of placing shares, which was completed in March 2025.

The Group recorded deficiency in assets of approximately HK\$54,608,000 as at 30 June 2025 (31 December 2024: HK\$62,021,000), the decrease was mainly attributable to funds raised by way of placing shares during the Reporting Period.

As detailed in note 2(c) to the unaudited interim condensed consolidated financial statements (the “**Interim Financial Statements**”), the Company has undertaken various measures to improve its liquidity.

Apart from the loan of Mr. Qin, the Shareholder Loans, the Director Facility, the Shareholder Facility and the External Financing Facility disclosed in note 2(c) to the Interim Financial Statements, the Group did not have any bank borrowings or bank facilities as at 30 June 2025 and 31 December 2024 respectively.

Inventories and trade receivables

The Group recorded total inventories of approximately HK\$3,311,000 as at 30 June 2025 (31 December 2024: approximately HK\$2,010,000) and the inventory turnover days remained stable and slightly decreased from 48 days to 45 days. The Group had trade receivables of approximately HK\$14,232,000 as at 30 June 2025 (31 December 2024: approximately HK\$5,298,000) and the debtor turnover days increased from 88 days to 145 days.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICY

The Group generally finances its operation with internally generated resources and financial assistance from an executive Director and the ultimate controlling shareholder of the Company, as well as the External Financing Facility as detailed in note 2(c) to the Interim Financial Statements. Cash and bank deposits of the Group are mainly denominated in HK\$, United States dollars (“**US\$**”) and RMB. Transactions of the Group are mainly denominated in HK\$, US\$ and RMB. As HK\$ is pegged to US\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rate. In this regard, the Group is not exposed to significant currency risk arising from US\$. The fluctuations in the RMB’s value against other currencies will create foreign currency translation gains or losses and may have an adverse effect on the Group’s business, financial condition and results. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into HK\$ or US\$, of our Group’s net assets and earnings. The Group currently does not have any foreign currency hedging policy. However, the management of the Company will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGES OF ASSETS

The Group did not have any charges on assets as at 30 June 2025 (31 December 2024: Nil).

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 21 February 2025 (after trading hours), the Company and an independent placing agent entered into a placing agreement in relation to the placing of up to 30,000,000 new ordinary Shares of the Company at the placing price of HK\$1.78 per Share. The net issue price (after deduction of the placing commission, professional fees and all related expenses) is approximately HK\$1.73 per Share.

The aforementioned placing was completed on 18 March 2025 (the “**March 2025 Placing**”), where a total of 9,024,000 Shares, representing approximately 2.09% of the issued share capital of the Company as enlarged by the allotment and issue of such placing shares, have been successfully placed to not less than six placees, who and whose ultimate beneficial owners shall be independent third parties, at HK\$1.78 per Share. The aggregate nominal value of the 9,024,000 placing shares was HK\$90,240. The market price of the 9,024,000 placing shares was HK\$19,943,040 on 21 February 2025 (being the date on which the terms of the March 2025 Placing were fixed).

The Directors considered that the March 2025 Placing represents a good opportunity to raise additional funds through the equity market and will strengthen the Group’s financial position.

The gross proceeds from the March 2025 Placing were approximately HK\$16.06 million, and the actual net proceeds, after deducting the placing commission, professional fees and all related expenses, were approximately HK\$15.62 million (the “**March 2025 Placing Net Proceeds**”). The March 2025 Placing Net Proceeds were intended to be applied as to (i) approximately HK\$6 million, equivalent to approximately 38.41% of the March 2025 Placing Net Proceeds for the purchase of materials, equipment, and overhead costs related to the leather manufacturing and extended cleaning services for leather and motor vehicle’s engine; and (ii) approximately HK\$6 million, equivalent to approximately 38.41% of the March 2025 Placing Net Proceeds, for the general working capital of the Group including rental payments, staff costs, professional fees and other general administrative and operating expenses; and (iii) approximately HK\$3.62 million, equivalent to approximately 23.18% of the March 2025 Placing Net Proceeds, for settlement of outstanding payables.

Up to 30 June 2025, the March 2025 Placing Net Proceeds have been fully utilised, according to the intentions previously disclosed in the announcement of the Company dated 18 March 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

Saved as disclosed in note 12 to the Interim Financial Statements in this report, the Group did not have any significant investment nor make any significant acquisition of capital assets during the six months ended 30 June 2025.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Saved as disclosed in note 20 to the Interim Financial Statements in this report, the Group did not conduct any significant acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2025.

Other than the NVTH Acquisition disclosed in note 23 to the Interim Financial Statements and the various establishment of joint ventures discussed under the “PROSPECT AND BUSINESS STRATEGIES AND PLANS” section, the Group does not have any specific plans for material investments or capital assets acquisition and disposal of subsidiaries, associates and joint ventures as at the date of this report.

COMMITMENTS AND CONTINGENT LIABILITIES

Other than the operating lease commitments disclosed in note 13 to the Interim Financial Statements, the Group had no significant commitments or contingent liabilities as at 30 June 2025 and 31 December 2024.

HUMAN RESOURCES

As at 30 June 2025, the Group employed 122 (31 December 2024: 109 employees). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The employee cost is set out in note 8 to the Interim Financial Statements. The Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2025, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")), (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

(I) Interest in the Company

Long positions in the ordinary shares of the Company (the "Shares")

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Zhao Jingfei (Chairman and executive Director)	Interest of a controlled corporation (<i>Note</i>)	256,024,406	59.30

Note: These Shares are held by Waterfront Holding Group Co., Ltd., which is wholly and beneficially owned by Mr. Zhao Jingfei. By virtue of the SFO, Mr. Zhao Jingfei is deemed to be interested in all the Shares held by Waterfront Holding Group Co., Ltd..

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Interest in the associated corporation of the Company***Long positions in the shares of the associated corporation***

Name	Name of associated corporation	Nature of interest	Number of share held in the associated corporation	Approximate percentage of shareholding
Zhao Jingfei (Chairman and executive Director)	Waterfront Holding Group Co., Ltd.	Beneficial owner	1	100%

Save as disclosed above, as at 30 June 2025, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

So far as known to the Directors, as at 30 June 2025, the following person (other than the Directors and chief executive of the Company) had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Waterfront Holding Group Co., Ltd.	Beneficial owner	256,024,406	59.30

Save as disclosed above, as at 30 June 2025, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Pursuant to the written resolutions of all the shareholders of the Company passed on 18 February 2003, the Company adopted a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme expired on 17 February 2013 and the Company has not adopted any new share option scheme thereafter.

There was no outstanding share option of the Company under the Share Option Scheme as at 1 January 2025 and 30 June 2025 and no share option of the Company was granted, exercised, lapsed or cancelled during the Reporting Period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2025 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CHANGES IN INFORMATION OF DIRECTORS

The change in the information of the Directors or chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Company's annual report issued on 31 March 2025 are set out below:

- On 9 April 2025, Mr. Fong Sze Chun has been appointed as an executive Director and Co-Chairman of the Board with effect from 9 April 2025;
- On 9 April 2025, Mr. Jerome Jean Jacques Loubert has been appointed as an executive Director with effect from 9 April 2025;
- On 9 April 2025, Mr. Chan Hau Him Howard has been appointed as a non-executive Director with effect from 9 April 2025;
- On 8 July 2025, Ms. Ye Duan has been appointed as an independent non-executive Director with effect from 8 July 2025; and
- On 8 July 2025, Mr. Peng Zuoquan has been appointed as an independent non-executive Director with effect from 8 July 2025.

Further details were disclosed in the announcements of the Company dated 9 April 2025, 16 April 2025 and 8 July 2025.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2025.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Listing Rules. The Company has complied with the Code Provisions as set out in the CG Code during the six months ended 30 June 2025 and up to the date of this report except the following deviation.

Under the code provision D.2.5 of the CG Code, the Group should have an internal audit function. The Company did not establish the internal audit function for the six months ended 30 June 2025. The Board is aware of the importance of internal audit function and based on the size and simple operating structure of the Group as well as the existing internal control processes, the Board has decided not to set up an internal audit department for the time being. Instead, the Company will engage an independent third party to carry out internal audit function annually. When necessary, the audit committee of the Company would carry out internal audit function for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

Following the passing away of Mr. Rong Yi, the late independent non-executive Director and member of the audit committee of the Company, on 28 December 2024, the Company failed to comply with Rules 3.10(1) and 3.21 of the Listing Rules. Following the appointment of Mr. Chiang Chien Chih and Mr. Ying Yong as executive Directors on 14 January 2025, the Company continued to fail to comply with Rules 3.10(1) and 3.21 of the Listing Rules. Following the appointments of Ms. Chen Mengsi as an independent non-executive Director and a member of the Audit Committee on 21 January 2025, the Company re-complied with Rules 3.10(1) and 3.21 of the Listing Rules. Following the appointment of Mr. Fong Sze Chun and Mr. Jerome Jean Jacques Loubert as executive Directors and Mr. Chan Hau Him Howard as non-executive Director on 9 April 2025, the Company failed to comply with Rule 3.10(1) of the Listing Rules. Following the appointment of Ms. Ye Duan and Mr. Peng Zuoquan as independent non-executive Directors on 8 July 2025, the Company re-complied with Rule 3.10(1) of the Listing Rules.

The Company will periodically review its corporate governance practices to ensure its continuous compliance with the CG Code.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2025.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in note 23 to the Interim Financial Statements in this report, there is no other important event affecting the Group which have occurred after the end of the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. As at 30 June 2025, the Audit Committee comprised three independent non-executive Directors, Ms. Han Yu (Chairlady), Ms. Jia Lixin and Ms. Chen Mengsi. The Group's Interim Financial Statements for the six months ended 30 June 2025 have not been audited or reviewed by the external auditor of the Company, but the Audit Committee has reviewed and discussed with management in relation to financial reporting matters, including but not limited to the Interim Financial Statements of the Group for the six months ended 30 June 2025 and this report, and was satisfied that these Interim Financial Statements were prepared in accordance with applicable accounting standards.

By Order of the Board

China International Development Corporation Limited

Zhao Jingfei

Co-Chairman and Executive Director

Hong Kong, 29 August 2025