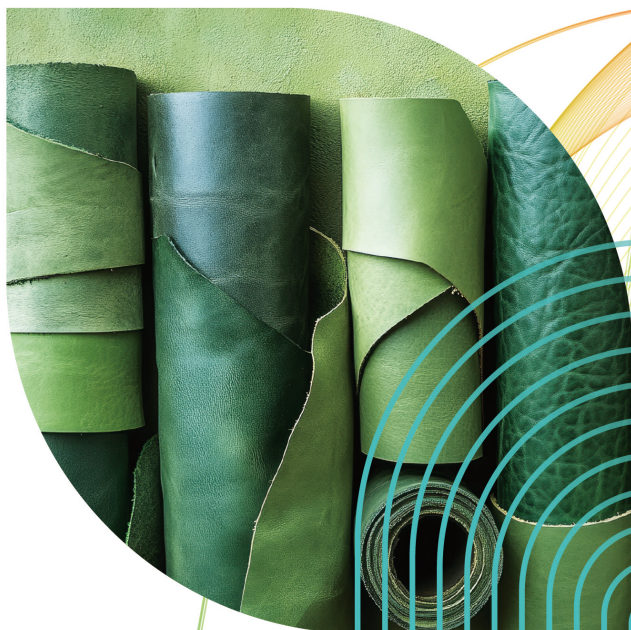


China International Development Corporation Limited
中聯發展控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0264



2026
INTERIM
REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Qin Bohan (*Co-Chairman*)
Mr. Zhang Li (*Co-Chairman*)
Mr. Fan Xin (*Chief Executive Officer*)
Mr. Leung Wai Kit
(*Deputy Chief Executive Officer*)
Mr. Lei Zhengbiao
Mr. Ding Wentuo

Independent Non-executive Directors

Ms. Jia Lixin
Ms. Chen Mengsi
Mr. Peng Zuoquan
Mr. Chen Heyi

COMPANY SECRETARY

Ms. Chan Yuen Ying Stella

AUDIT COMMITTEE

Mr. Chen Heyi (*Committee Chairman*)
Ms. Jia Lixin
Ms. Chen Mengsi

NOMINATION COMMITTEE

Mr. Qin Bohan (*Committee Chairman*)
Ms. Jia Lixin
Ms. Chen Mengsi
Mr. Chen Heyi

REMUNERATION COMMITTEE

Ms. Chen Mengsi (*Committee Chairlady*)
Mr. Fan Xin
Ms. Jia Lixin
Mr. Chen Heyi

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 06
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8 Fleming Road
Wanchai
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
Registered Public Interest Entity
Auditor

CORPORATE INFORMATION

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

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HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

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COMPANY WEBSITE

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

STOCK CODE

264

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2026	2025
	Unaudited	Unaudited

Operating results

Revenue (HK\$'000)	38,749	17,878
Gross profit (HK\$'000)	10,614	4,373
Gross profit margin (%)	27.4	24.5
Loss before tax (HK\$'000)	(16,586)	(9,364)
Loss for the period attributable to owners of the Company (HK\$'000)	(15,789)	(7,598)
Basic and diluted loss per share (HK cents)	(3.34)	(1.77)

	As at	As at
	30 June	31 December
	2026	2025
	Unaudited	Audited

Total assets (HK\$'000)	40,092	39,947
Deficiency in assets attributable to owners of the Company (HK\$'000)	(3,356)	(14,855)

Business performance ratios

Current ratio (times)	0.83	0.71
Quick ratio (times)	0.79	0.69

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

For the six months ended 30 June 2026

	<i>Notes</i>	Six months ended 30 June	
		2026	2025
		Unaudited HK\$'000	Unaudited HK\$'000
Revenue	5	38,749	17,878
Cost of sales	8	(28,135)	(13,505)
Gross profit		10,614	4,373
Other income	6	27	57
Selling and distribution costs		(114)	(605)
Administrative and other operating expenses		(23,874)	(12,108)
Provision for impairment of right-of-use assets		(1,705)	–
Write off of other receivables		(8)	–
Write-back of impairment of trade receivables	14	173	569
Finance costs	7	(1,699)	(1,650)
Loss before tax	8	(16,586)	(9,364)
Income tax expense	9	–	–
Loss for the period		(16,586)	(9,364)
Attributable to:			
Owners of the Company		(15,789)	(7,598)
Non-controlling interests		(797)	(1,766)
		(16,586)	(9,364)

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

For the six months ended 30 June 2026

	Notes	Six months ended 30 June	
		2026	2025
		Unaudited HK\$'000	Unaudited HK\$'000
Other comprehensive income			
<i>Other comprehensive income that may be subsequently reclassified to profit or loss in subsequent periods:</i>			
– Exchange differences arising on translation of operations outside Hong Kong		201	(97)
Other comprehensive income for the period, net of tax		201	(97)
Total comprehensive income for the period		(16,385)	(9,461)
Attributable to:			
Owners of the Company		(15,646)	(7,701)
Non-controlling interests		(739)	(1,760)
		(16,385)	(9,461)
Loss per share attributable to owners of the Company			
– Basic and diluted	11	HK(3.34) cents	HK(1.77) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

		As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	12	2,028	2,268
Right-of-use assets	13(a)	–	–
Total non-current assets		2,028	2,268
Current assets			
Inventories		1,719	1,174
Trade receivables	14	16,695	3,407
Prepayments, deposits and other receivables	15	12,851	5,132
Cash and cash equivalents	16	6,799	27,966
Total current assets		38,064	37,679
Current liabilities			
Trade payables	17	12,499	4,661
Other payables and accruals	18	23,275	23,323
Due to a shareholder	19	175	216
Due to related companies	19	93	1,739
Loan from a director	20	–	8,000
Loans from a shareholder	21	8,201	14,161
Tax payable		894	873
Lease liabilities	13(b)	818	251
Total current liabilities		45,955	53,224

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

		As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
	Notes		
Net current liabilities		(7,891)	(15,545)
Total assets less current liabilities		(5,863)	(13,277)
Non-current liabilities			
Loans from a shareholder	21	–	4,095
Lease liabilities	13(b)	668	–
Total non-current liabilities		668	4,095
Net liabilities		(6,531)	(17,372)
Deficiency in assets			
Attributable to owners of the Company			
Share capital	22	4,747	4,617
Reserves		(8,103)	(19,472)
		(3,356)	(14,855)
Non-controlling interests		(3,175)	(2,517)
Total deficiency in assets		(6,531)	(17,372)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

	Attributable to owners of the Company								Total equity Unaudited HK\$'000
	Share capital Unaudited HK\$'000	Share premium Unaudited HK\$'000	Capital reserve Unaudited HK\$'000	Translation reserve Unaudited HK\$'000	Statutory and discretionary reserve Unaudited HK\$'000	Accumulated losses Unaudited HK\$'000	Total Unaudited HK\$'000	Non-controlling interest Unaudited HK\$'000	
At 1 January 2025	4,227	100,147	10,503	3,392	5,249	(185,529)	(62,011)	(10)	(62,021)
Loss for the period	-	-	-	-	-	(7,598)	(7,598)	(1,766)	(9,364)
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	(103)	-	-	(103)	6	(97)
Total comprehensive income for the period	-	-	-	(103)	-	(7,598)	(7,701)	(1,760)	(9,461)
Issue of shares	90	15,973	-	-	-	-	16,063	-	16,063
Share issue expenses	-	(447)	-	-	-	-	(447)	-	(447)
Acquisition of subsidiaries	-	-	-	-	-	-	-	53	53
Notional interest of existing interest-free loans extension provided by the then ultimate controlling shareholder (note 21)	-	-	1,205	-	-	-	1,205	-	1,205
At 30 June 2025	4,317	115,673	11,708	3,289	5,249	(193,127)	(52,891)	(1,717)	(54,608)
At 1 January 2026	4,617	161,656	11,708	3,099	5,249	(201,184)	(14,855)	(2,517)	(17,372)
Loss for the period	-	-	-	-	-	(15,789)	(15,789)	(797)	(16,586)
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	143	-	-	143	58	201
Total comprehensive income for the period	-	-	-	143	-	(15,789)	(15,646)	(739)	(16,385)
Issue of shares (note 22)	130	27,769	-	-	-	-	27,899	-	27,899
Share issue expenses (note 22)	-	(754)	-	-	-	-	(754)	-	(754)
Formation of subsidiaries	-	-	-	-	-	-	-	-*	-*
Capital injections made to a subsidiary	-	-	-	-	-	-	-	81	81
At 30 June 2026	4,747	188,671	11,708	3,242	5,249	(216,973)	(3,356)	(3,175)	(6,531)

* Amount less than HK\$1,000 presented as nil due to rounding down.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

	Six months ended 30 June	
	2026	2025
	Unaudited HK\$'000	Unaudited HK\$'000
Net cash used in operating activities	(26,519)	(4,199)
Net cash used in investing activities	(124)	(571)
Net cash from financing activities	5,250	4,986
Net (decrease)/increase in cash and cash equivalents	(21,393)	216
Cash and cash equivalents at the beginning of the period	27,966	829
Effect of foreign exchange rate changes on cash and cash equivalents	226	265
Cash and cash equivalents at the end of the period	6,799	1,310

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 Act 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**”); (iv) provision of automobile services and sales of related products (the “**Automobile Services Business**”); and (v) sales of lifestyle consumer products (the “**Lifestyle Consumer Business**”), which was commenced in the second half of 2025. There was no significant change in the nature of the Group’s principal activities during the six months ended 30 June 2026 (the “**Reporting Period**”).

The directors (the “**Director(s)**”) of the Company considered that as at 1 January 2026, Waterfront Holding Group Co., Ltd. (“**Waterfront**”), a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability, was the holding company of the Company and its ultimate controlling shareholder was Mr. Zhao Jingfei (“**Mr. Zhao**”), who resigned as a Director and Co-Chairman of the Company on 3 December 2025. The registered office of Waterfront is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI. During the Reporting Period, Waterfront’s shareholding in the Company was reduced to below 50% and therefore in the opinion of the Directors, the Company does not have any holding company as at the end of the Reporting Period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL *(Continued)*

The unaudited interim condensed consolidated financial statements for the Reporting Period (the “**Interim Financial Statements**”) are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and a majority number of operating subsidiaries in 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 28 August 2026.

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” as 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 2025 (the “**2025 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 2025 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 incurred a loss attributable to owners of the Company of approximately HK\$15,789,000 for the Reporting Period and had net current liabilities and deficiency in assets attributable to owners of the Company of approximately HK\$7,891,000 and HK\$3,356,000, respectively, as at 30 June 2026. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the aforesaid conditions, the Interim Financial Statements have been prepared on a going concern basis because 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 2026 after taking into account of the following measures:

- (i) As part of the management continuous efforts to strengthen the Company's capital base and the Group's working capital position, during the Reporting Period, on 27 January 2026, the Company successfully completed the placing of 12,916,000 new shares at a placing price of HK\$2.16 per share, raising net proceeds of approximately HK\$27,145,000. In view of the successful fund raising experiences and connections of the management in the capital market, the Directors consider that the Group will continue and is able to seek for alternative capital and other funding sources on an ongoing basis; and

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Going concern basis *(Continued)*

- (ii) the Company entered into a loan facility agreement with an independent third party (the “**Lender**”) on 23 April 2026, 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 12 months from 23 April 2026. Any amounts drawn down under the External Financing Facility will be unsecured, bear interest at 18% per annum and are repayable with interest thereon in full on or before 15 months from the date of each drawdown. None of the External Financing Facility has been utilised as at 30 June 2026 and the date of approving these Interim Financial Statements.

In addition, the Group remains committed to revitalise its business strategies and plans in order to improve the Group’s principal businesses and thus its financial performance and to implement stringent cost management measures with continuous efforts to optimise operational efficiency and minimise the cash outflow of non-essential items. The Directors consider that the revitalised business strategies, plans and cost management measures, if materialised, could improve the Group’s revenue, financial performance and financial position.

The Interim Financial Statements do not include any adjustments that would result from a failure to obtain such financing to the Group and to result in favourable outcome from the revitalised 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 its a going concern. Should the Group be unable to continue its business as a going concern, adjustments would have been made to restate the value of assets to the recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2025 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 2026. 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 standards, interpretations or amendments for the first time for the Interim Financial Statements.

Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i>
Annual Improvements to HKFRS Accounting Standards – Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7</i>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 New and revised HKFRS Accounting Standards adopted by the Group *(Continued)*

Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

The HKICPA issued Amendments to HKFRS 9 and HKFRS 7, Amendments to the Classification and Measurement of Financial Instruments. The amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and financial liabilities. In particular, a financial liability is derecognised on the 'settlement date' and an accounting policy choice is introduced (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income

The amendments had no impact on the Interim Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 New and revised HKFRS Accounting Standards adopted by the Group *(Continued)*

Amendments to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature-dependent Electricity

The HKICPA issued Amendments to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity, and they:

- Clarify the application of the ‘own-use’ requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows

The amendments had no impact on the Interim Financial Statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11

The HKICPA issued nine narrow scope amendments as part of its periodic maintenance of HKFRS Accounting Standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in HKFRS 1 First-time Adoption of International Financial Reporting Standards, HKFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing HKFRS 7, HKFRS 9 Financial Instruments, HKFRS 10 Consolidated Financial Statements and HKAS 7 Statements of Cash Flows.

The amendments had no 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 2026 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 and its amendments	Subsidiaries without Public Accountability: Disclosures	1 January 2027
HKFRS 20	Regulatory Assets and Regulatory Liabilities	1 January 2029
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
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 except for the adoption of HKFRS 18 as mentioned below, the adoption of these new standards and amendments to standards 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

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 2026 and not early adopted by the Group *(Continued)*

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. ESTIMATES

The preparation of the Interim Financial Statements requires 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 2025 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; (iv) the Automobile Services Business; and (v) the Lifestyle Consumer Business. The Lifestyle Consumer Business was commenced in the second half of 2025. The Industrial Hemp Planting Business did not form a separate reportable segment during the Reporting Period 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 four (six months ended 30 June 2025: three) 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 and sales of related products
Lifestyle Consumer Business*	–	Sales of lifestyle consumer products

* Commenced during the second half of 2025

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		Lifestyle Consumer Business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	22,645	15,999	101	164	362	1,715	15,641	-	38,749	17,878
Inter-segment revenue	-	-	215	-	-	-	-	-	215	-
Reportable segment revenue (Note (i))	22,645	15,999	316	164	362	1,715	15,641	-	38,964	17,878
Reportable segment loss	(282)	(348)	(1,512)	(890)	(1,458)	(3,610)	(1,127)	-	(4,379)	(4,848)
Interest income									4	1
Unallocated corporate expenses (Note (ii))									(12,211)	(4,517)
Loss before tax									(16,586)	(9,364)
Income tax expense									-	-
Loss for the period									(16,586)	(9,364)

Notes:

- (i) Revenue from the sales of products in the Leather Manufacturing Business, the Leather Retail Business, the Automobile Services Business and the Lifestyle Consumer Business is recognised at a point in time when the control of the products has been passed to customers. Revenue from the provision of automobile services in the 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		Lifestyle Consumer Business		Total	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	74,193	62,674	811	351	4,675	5,814	13,192	19,338	92,871	88,177
Elimination of inter-segment and head office's receivables									(54,582)	(51,502)
Unallocated corporate assets									1,803	3,272
Consolidated total assets									40,092	39,947
Reportable segment liabilities	62,351	47,172	51,682	49,922	11,331	11,007	16,479	17,181	141,843	125,282
Elimination of inter-segment and head office's payables									(121,859)	(116,521)
Unallocated corporate liabilities									26,639	48,558
Consolidated total liabilities									46,623	57,319

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME

	Six months ended 30 June	
	2026	2025
	Unaudited HK\$'000	Unaudited HK\$'000
Interest income	4	1
Foreign exchange gain, net	–	49
Sundry income	23	7
	27	57

7. FINANCE COSTS

	Six months ended 30 June	
	2026	2025
	Unaudited HK\$'000	Unaudited HK\$'000
Interest on lease liabilities	73	205
Imputed interest on loans from a shareholder (note 21)	1,626	1,445
	1,699	1,650

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	
	2026	2025
	Unaudited HK\$'000	Unaudited HK\$'000
Cost of inventories recognised as expenses	28,135	13,505
Depreciation of property, plant and equipment	439	18
Foreign exchange losses/(gains), net	13	(49)
Employee costs (excluding Directors' emoluments) (note (i))	8,889	6,389
Write-back of impairment of trade receivables (note 14)	173	569
Expenses relating to short-term leases (note 13)	694	195
Provision for onerous short-term lease contract (note 13)	–	210
Provision for impairment of right-of-use assets (note 13)	1,705	–
Interest income	(4)	(1)

Note:

- (i) Cost of inventories recognised as expenses included employee costs of approximately HK\$994,000 (six months ended 30 June 2025: approximately HK\$1,781,000) for the six months ended 30 June 2026, which are also included in the amount disclosed above.

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%. 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 established in the Chinese Mainland 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). Other group entities, which are not qualified as small scale enterprises, operating in the Chinese Mainland are taxed at 25%.

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 Chinese Mainland.

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 Chinese Mainland 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2026 and 2025.

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 attributable to owners of the Company of approximately HK\$15,789,000 (six months ended 30 June 2025: HK\$7,598,000) and the weighted average number of 472,800,663 (six months ended 30 June 2025: 428,449,481) ordinary shares in issue during the six months ended 30 June 2026.

For the six months ended 30 June 2026 and 2025, 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 2026 and 2025.

12. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment ("**PPE**") amounted to approximately HK\$128,000 (six months ended 30 June 2025: HK\$572,000) for the six months ended 30 June 2026, while no disposal of PPE was recorded for the six months ended 30 June 2026 and 2025.

Leather Retail Business

There was no PPE (the "**Retail PPE**") or right-of-use assets ("**ROA**") (the "**Retail ROA**") of the Leather Retail Business as at 30 June 2026 as the retail shop of the Leather Retail Business was closed during the six months ended 30 June 2026.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Leather Manufacturing Business

In prior year, the Directors considered that there were impairment indicators on PPE (the “**Manufacturing PPE**”) and ROA (the “**Manufacturing ROA**”) of the Leather Manufacturing Business because of the losses incurred. The relevant items of the Manufacturing PPE and the Manufacturing ROA of the Leather Manufacturing Business are grouped together to constitute a cash generating unit (the “**Manufacturing CGU**”) for the purpose of impairment assessment. The Directors assessed the recoverable amounts of the Manufacturing CGU, which are higher of the value in use (“**VIU**”) and the fair value less cost of disposal (“**FVLCS**”). Since the Directors were of the opinion that the Manufacturing PPE and the Manufacturing ROA had minimal resell value and the FVLCS was considered as zero, the recoverable amounts of the Manufacturing CGU were determined based on the VIU.

As at 30 June 2026, the carrying amount of the Manufacturing ROA was nil (after impairment of approximately HK\$630,000) (31 December 2025: Nil (after impairment of HK\$223,000)). Based on the management’s impairment assessment, impairment losses on the Manufacturing ROA of approximately HK\$630,000 (year ended 31 December 2025: Nil) were recognised in profit or loss for the six months ended 30 June 2026.

As at 30 June 2026, the carrying amounts of the Manufacturing PPE amounted to approximately HK\$254,000 (31 December 2025: approximately HK\$264,000). The Directors were of the opinion that the net carrying amounts of the Manufacturing PPE were not material to the financial position of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Automobile Services Business

As at 30 June 2026 and 31 December 2025, the Directors considered that there were impairment indicators on the PPE (the **“Automobile PPE”**) of the Automobile Services Business because of the loss incurred during the six months ended 30 June 2026 and for the year ended 31 December 2025. The relevant items of the Automobile PPE of the Automobile Services Business with net carrying amounts of approximately HK\$1,487,000 (31 December 2025: approximately HK\$1,777,000) as at 30 June 2026 are grouped together to constitute a cash generating unit (the **“Automobile CGU”**) for the purpose of impairment assessment. The Directors assessed the recoverable amounts of the Automobile CGU, which are higher of the VIU and the FVLCS. Since the Directors were of the opinion that the Automobile PPE have minimal resale value and the FVLCS was considered as zero, the recoverable amounts of the Automobile CGU were determined based on the VIU.

The recoverable amounts of the Automobile CGU have been determined by the management by using the discounted cash flow projections for a period of 5 years as at 30 June 2026 (the **“June 2026 Automobile Valuation”**) and 31 December 2025 (the **“December 2025 Automobile Valuation”**). The key assumptions used in the June 2026 Automobile Valuations included growth rate of 20%–100% (31 December 2025: 10%–100%), gross profit margin of 63% (31 December 2025: 60%) and discount rate of 15% (31 December 2025: 14.3%). The discount rates used in the June 2026 Automobile Valuation and the December 2025 Automobile Valuation are the weighted average costs of capital derived from market data. The growth rates and gross profit margin for the forecast periods are estimated by the Directors after having taken into consideration of the past performance of the Automobile CGU, industry growth forecasts and future business plan of the Group. Based on the June 2026 Automobile Valuation and the December 2025 Automobile Valuation, the recoverable amounts of the Automobile PPE were higher than the respective carrying amounts and no impairment on the Automobile PPE was considered necessary as at 30 June 2026 and 31 December 2025.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES

During the six months ended 30 June 2026, the Group entered into a lease agreement for corporate head office for a term of two years and a lease agreement for office premises of the Leather Manufacturing Business for a term of two years. Right-of-use assets and lease liabilities amounting to approximately HK\$1,705,000 were initially recognised during the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

(a) Right-of-use assets

As detailed in note 12 to the Interim Financial Statements, the Group performed an impairment assessment on the Manufacturing ROA.

As at 30 June 2026, the Directors considered that there were impairment indicators on ROA (the “**Corporate ROA**”) of the corporate head office because of the loss of the Group incurred during the six months ended 30 June 2026. Based on the management’s impairment assessment, impairment losses on the Corporate ROA of approximately HK\$1,075,000 (year ended 31 December 2025: Nil) were recognised in profit or loss for the six months ended 30 June 2026.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES (Continued)

(b) Lease liabilities

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

	Six months ended 30 June 2026 Unaudited HK\$'000	Year ended 31 December 2025 Audited HK\$'000
Beginning of the period/year	251	4,344
Additions	1,705	–
Interest expenses	73	237
Payment of lease liabilities	(543)	(3,509)
Gain on modification of lease	–	(890)
Exchange realignment	–	69
Balance at end of the period/year	1,486	251

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Analysed into:		
Current portion	818	251
Non-current portion	668	–
	1,486	251

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES (Continued)

(c) Short-term leases

No provision for onerous short-term lease contract was recognised in profit and loss for the six months ended 30 June 2026 (six months ended 30 June 2025: HK\$210,000).

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

	Six months ended 30 June	
	2026	2025
	Unaudited HK\$'000	Unaudited HK\$'000
Interest on lease liabilities (note 7)	73	205
Expenses relating to short-term leases (note 8)	694	195
Provision for onerous short-term lease contract (note 8)	–	210
Provision for impairment of right-of-use assets (note 8)	1,705	–
	2,472	610

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES (Continued)

(e) Total cash outflow for leases

	Six months ended 30 June	
	2026	2025
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Within operating activities	694	195
Within financing activities	543	1,883

14. TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2026	2025
	Unaudited	Audited
	HK\$'000	HK\$'000
Trade receivables	17,020	3,900
Less: Impairment loss	(325)	(493)
Net carrying amounts	16,695	3,407

No credit term is granted to customers of the Leather Retail Business. Trade receivables are arising from customers of the Leather Manufacturing Business, the Automobile Services Business and the Lifestyle Consumer Business, which 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 trade receivable balances. Trade receivables are non-interest bearing.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES (Continued)

The ageing analysis of trade receivables based on the invoice date (net of impairment loss) at the end of the Reporting Period is as follows:

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Less than 30 days	10,011	3,407
31–60 days	4,498	–
61–90 days	720	–
91–120 days	2	–
121–365 days	1,464	–
More than 365 days	–	–
	16,695	3,407

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 2026:

	Expected loss rate %	Gross carrying amount HK\$'000	Expected credit loss HK\$'000	Net carrying amount HK\$'000
Current (not past due)	0%	14,509	–	14,509
1–30 days past due	0.01%	720	–	720
31–60 days past due	N/A	2	–	2
61–90 days past due	N/A	–	–	–
91–120 days past due	N/A	–	–	–
121–365 days past due	5.54%	1,550	(86)	1,464
Over 365 days past due	100%	239	(239)	–
		17,020	(325)	16,695

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 2025:

	Expected loss rate %	Gross carrying amount HK\$'000	Expected credit loss HK\$'000	Net carrying amount HK\$'000
Current (not past due)	6.76%	3,654	(247)	3,407
1–30 days past due	N/A	–	–	–
31–60 days past due	N/A	–	–	–
61–90 days past due	N/A	–	–	–
91–120 days past due	N/A	–	–	–
121–365 days past due	N/A	–	–	–
Over 365 days past due	100%	246	(246)	–
		3,900	(493)	3,407

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 ECLs of trade receivables during the Reporting Period are as follows:

	Six months ended 30 June 2026 Unaudited HK\$'000	Year ended 31 December 2025 Audited HK\$'000
Beginning of the period/year	493	2,051
Write off	–	(1,123)
Write-back of impairment loss	(173)	(438)
Exchange realignment	5	3
Balance at end of period/year	325	493

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Prepayments	2,944	2,872
Purchase deposits paid	5,371	53
Rental, utility and other deposits	1,759	1,147
Due from former fellow subsidiaries	–	8
Other receivables	3,078	1,353
	13,152	5,433
Less:		
Impairment loss on other receivables	(301)	(301)
	12,851	5,132

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The movements in the loss allowance for impairment of other receivables during the Reporting Period are as follows:

	Six months ended 30 June 2026 Unaudited HK\$'000	Year ended 31 December 2025 Audited HK\$'000
Beginning of the period/year	301	306
Write off	–	(5)
Balance at end of period/year	301	301

16. CASH AND CASH EQUIVALENTS

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Cash and bank balances	6,799	27,966

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. CASH AND CASH EQUIVALENTS *(Continued)*

The cash and bank balances amounting to approximately HK\$3,245,000 (31 December 2025: approximately HK\$11,172,000) that were deposited in bank accounts maintained in the Chinese Mainland and denominated in Renminbi (“**RMB**”) were not freely convertible into other currencies and were subject to exchange controls in the Chinese Mainland. However, under the Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulation, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

17. TRADE PAYABLES

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

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Less than 30 days	5,622	2,888
31–60 days	3,505	1,669
61–90 days	1	–
91–120 days	3	–
121–365 days	1,646	–
More than 365 days	1,722	104
	12,499	4,661

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Other payables	4,688	1,669
Accrued expenses	4,826	7,893
Due to former fellow subsidiaries*	8,171	8,171
Due to former intermediate holding company*	5,590	5,590
	23,275	23,323

* The amounts due to former fellow subsidiaries and former intermediate holding company were unsecured, interest-free and have no fixed terms of repayment.

19. DUE TO A SHAREHOLDER AND RELATED COMPANIES

The amount due to a shareholder, namely Mr. Zhao, amounting to approximately HK\$175,000 (31 December 2025: approximately HK\$216,000), 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, and 中汽華輪(北京)科技有限公司, amounting to approximately HK\$34,000 and HK\$59,000, respectively (31 December 2025: approximately HK\$1,682,000 and HK\$57,000, respectively) are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. LOAN FROM A DIRECTOR

On 28 October 2019, the Company entered into a loan agreement with an executive Director, Mr. Qin Bohan (“**Mr. Qin**”), pursuant to which, Mr. Qin granted a loan of HK\$8,000,000 to the Company which was unsecured, interest-free and repayable on demand. The loan has been fully repaid during the Reporting Period.

21. LOANS FROM A SHAREHOLDER

	Six months ended 30 June 2026 Unaudited HK\$'000	Year ended 31 December 2025 Audited HK\$'000
Beginning of the period/year	18,256	17,226
Loan extension agreements entered: Notional interest saving arising from the interest-free loans	–	(1,205)
	18,256	16,021
Imputed interest charged	1,626	2,912
Repayment during the period/year	(11,747)	(1,000)
Exchange realignment	66	323
Balance at end of period/year	8,201	18,256
Less: Current portion	(8,201)	(14,161)
Non-current portion	–	4,095

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. LOANS FROM A SHAREHOLDER *(Continued)*

Analysed into:

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Loans from a shareholder repayable:		
Within one year	8,201	14,161
In the second year	—	4,095
Total	8,201	18,256

A shareholder, namely Mr. Zhao, has granted certain unsecured interest-free loans to the Group with aggregate principal amounts of RMB4,500,000 (the “**RMB Loans**”) and US\$480,000 (the “**US\$ Loan**”) (equivalent to approximately HK\$8,941,000 in aggregate, collectively the “**Shareholder Loans**”) as at 30 June 2026 (31 December 2025: RMB7,010,000, HK\$1,226,000 and US\$1,480,000, respectively, (equivalent to approximately HK\$20,582,000 in aggregate)).

The US\$ Loan is repayable in August 2026 and was accounted for at amortised cost, using effective interest rates of 17% (31 December 2025: 17%).

The RMB Loans with aggregate principal amounts of RMB4,500,000 (equivalent to approximately HK\$5,197,000) are repayable in March to June 2027 and are accounted for at amortised cost, using effective interest rates from 14% to 16% (31 December 2025: 14% to 16%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE CAPITAL

Authorised and issued share capital

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid:		
474,656,000 (2025: 461,740,000) ordinary shares of HK\$0.01 each	4,747	4,617

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE CAPITAL *(Continued)*

Authorised and issued share capital *(Continued)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue*	Share capital HK\$'000
At 1 January 2026	461,740,000	4,617
Shares issued during the Reporting Period [#]	12,916,000	130
At 30 June 2026 (unaudited)	474,656,000	4,747
At 1 January 2025	422,716,000	4,227
Shares issued during the year ended 31 December 2025	39,024,000	390
At 31 December 2025 (audited)	461,740,000	4,617

* ordinary shares of HK\$0.01 each

[#] On 27 January 2026, 12,916,000 ordinary shares were issued at a placing price of HK\$2.16 per share for a total cash consideration, before share issuing expenses, of approximately HK\$27,899,000. The related issuing expenses of approximately HK\$754,000 were deducted from the share premium.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. COMMITMENTS

The Group had the following capital commitments:

	As at 30 June 2026 Unaudited HK\$'000	As at 31 December 2025 Audited HK\$'000
Purchase of plant and machinery		
– Contracted for but not provided for	2,479	2,147

24. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2026 and 31 December 2025.

25. RELATED PARTY BALANCES AND TRANSACTIONS

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

Compensation of key management personnel

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

	Six months ended 30 June 2026 Unaudited HK\$'000	2025 Unaudited HK\$'000
Short-term benefits	2,048	1,551
Post employment benefits	–	–
	2,048	1,551

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the Reporting Period:

- (i) In May 2026, the Group and Nexelon Limited, an independent third party, entered into an agreement to form a joint venture (the “**AI JV**”), holding the respective equity interests of 60% and 40% in the AI JV. The AI JV focuses on developing artificial intelligence data center businesses in Southeast Asia. For further details, please refer to the announcements of the Company dated 28 May 2026, 2 June 2026, 26 July 2026 and 3 August 2026.
- (ii) A share award scheme (the “**Share Award Scheme**”) was approved and adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 5 June 2026.

Subsequent to the end of the Reporting Period, on 10 July 2026, an aggregate of 13,900,000 award shares were conditionally granted (the “**Conditional Grants**”) to three executive Directors, subject to the approval of the Conditional Grants and the transactions contemplated thereunder by the shareholders of the Company at an extraordinary general meeting to be held by the Company.

27. 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 2026 (the “**Reporting Period**”), the Group’s revenue increased by approximately 116.7% from approximately HK\$17,878,000 for the six months ended 30 June 2025 to approximately HK\$38,749,000. Gross profit was increased by approximately 142.7% from approximately HK\$4,373,000 for the six months ended 30 June 2025 to approximately HK\$10,614,000 for the six months ended 30 June 2026. The gross profit margin of the Group was increased from approximately 24.5% for the six months ended 30 June 2025 to approximately 27.4% for the six months ended 30 June 2026. The increase in revenue was primarily attributable to a significant increase in revenue from the Leather Manufacturing Business and the development of the new segment of the Lifestyle Consumer Business, 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 decreased from approximately HK\$57,000 for the six months ended 30 June 2025 to approximately HK\$27,000 for the six months ended 30 June 2026.

Selling and distribution costs were decreased by approximately 81.2% from approximately HK\$605,000 for the six months ended 30 June 2025 to approximately HK\$114,000 for the six months ended 30 June 2026. The decrease was primarily attributable to the closure of the last offline store during the six months ended 30 June 2026.

Administrative and other operating expenses were increased by approximately HK\$11,766,000 to approximately HK\$23,874,000 (six months ended 30 June 2025: approximately HK\$12,108,000) for the six months ended 30 June 2026. The increase was mainly due to (i) the development of new business segments during the Reporting Period, which led to higher employee costs as the Group recruited related personnel to support the new operations; (ii) increase in administrative expenses associated with the setting up and operating the new segments, including office, utilities and other overheads; and (iii) a rise in professional fees, principally legal, consulting and advisory services engaged to support business development, regulatory compliance and corporate matters.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK\$15,789,000 (six months ended 30 June 2025: approximately HK\$7,598,000) for the six months ended 30 June 2026. Loss per share for the six months ended 30 June 2026 was 3.34 HK cents (six months ended 30 June 2025: 1.77 HK cents).

BUSINESS REVIEW

During the six months ended 30 June 2026, the Leather Manufacturing Business, Leather Retail Business, Automobile Services Business and Lifestyle Consumer Business segments accounted for approximately 58.4% (six months ended 30 June 2025: approximately 89.5%), approximately 0.3% (six months ended 30 June 2025: approximately 0.9%) and approximately 0.9% (six months ended 30 June 2025: 9.6%) and approximately 40.4% (six months ended 30 June 2025: Nil) of the total revenue of the Group, respectively.

Leather Manufacturing Business

Facing challenges such as Sino-US trade frictions, tariff adjustments and fluctuations in demand from the US market, the Group adopted prudent and pragmatic measures in 2026 while concurrently advancing market expansion, supply-chain management and product upgrades to address external uncertainties in a steady manner.

For the six months ended 30 June 2026, revenue from the Leather Manufacturing Business amounted to approximately HK\$22,645,000, representing an increase of approximately 41.5% from HK\$15,999,000 for the six months ended 30 June 2025. The growth in revenue was primarily attributable to an increase in orders from overseas and Hong Kong markets, as well as the active expansion of custom leather operations, which captured market opportunities arising from the relocation and restructuring of the international leather manufacturing supply chain. In addition to enhancing capacity utilization and strengthening supply chain risk controls, the Group met market demand for high-end and customized leather products by leveraging its flexible design and development capabilities, mature craftsmanship, and sound supply chain management system.

MANAGEMENT DISCUSSION AND ANALYSIS

The growth reflects the Group's continued improvement in execution and risk management amid adverse conditions. The Group remains cautious and considers that there is further room for structural and operational improvements and will continue to implement related optimization measures and business strategies.

Revenue analysis by geographic location:

	Six months ended 30 June		2025	
	2026		2025	
	Unaudited		Unaudited	
	HK\$'000	%	HK\$'000	%
Europe	7,883	34.8	2,743	17.1
Hong Kong, China	6,171	27.3	1,371	8.6
Chinese Mainland	3,655	16.1	11,779	73.6
Others	4,936	21.8	106	0.7
	22,645	100.0	15,999	100.0

Leather Retail Business

The Leather Retail Business was affected by weak retail sentiment in Hong Kong. Revenue from external customers from Hong Kong amounted to approximately HK\$101,000 (six months ended 30 June 2025: approximately HK\$164,000) for the six months ended 30 June 2026, representing a decrease of approximately 38.4% compared with the six months ended 30 June 2025. The decline in revenue was mainly attributable to continued uncertainty over the economic recovery in Hong Kong and the Chinese Mainland and intense competition from online sales channels, which put pressure on the performance of the Leather Retail Business.

During the six months ended 30 June 2026, the Group closed its AREA 0264 store in Hong Kong and no longer maintained any such store (30 June 2025: one store). In addition, the Teepee Leather workshop was closed in August 2025 (30 June 2025: one workshop). These measures were undertaken to optimize resource allocation and strengthen cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

Automobile Services Business

The Group expanded into the Automobile Services Business in December 2024 through the establishment of a joint venture with a strategic partner. This initiative was intended to provide a stable and complementary source of revenue alongside the Group's existing operations.

For the six months ended 30 June 2026, the Automobile Services Business recorded revenue of approximately HK\$362,000 (six months ended 30 June 2025: approximately HK\$1,715,000) and a segment loss of approximately HK\$1,458,000 (six months ended 30 June 2025: approximately HK\$3,610,000). The results reflect that the development of the Automobile Services Business has been slower than anticipated, as the project remains in its early market development stage, and the longer customer acquisition cycle inherent in building trust and reputation in this sector. Operational ramp up challenges, including aligning processes with the joint venture partner and refining service offerings, also contributed to the slower progress. Management remains confident that the business will contribute positively once market penetration improves.

Lifestyle Consumer Business

To further diversify income and strengthen resilience, the Group launched the Lifestyle Consumer Business in the second half of 2025, focusing on lifestyle product sales. This segment generated revenue of approximately HK\$15,641,000 (30 June 2025: nil) for the six months ended 30 June 2026, with a segment loss of approximately HK\$1,127,000 (six months ended 30 June 2025: nil). The revenue contribution demonstrates encouraging market acceptance of the Group's lifestyle product offerings. The segment loss, however, reflects the upfront costs associated with expansion of distribution channels and logistics, and investments in product portfolio development to ensure long-term competitiveness. These expenditures are considered necessary to establish a sustainable presence in the lifestyle consumer market. Management views this business as a promising growth driver, with losses expected to narrow as economies of scale are realized and operational efficiency improves.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND BUSINESS STRATEGIES AND PLANS

Leather Manufacturing Business

The Group expects that the Leather Manufacturing Business will remain as one of its core businesses and its major revenue contributor for the year ending 31 December 2026 (“FY2026”).

The Group’s business strategy and plan for the Leather Manufacturing Business is as follows:

(a) Supply Chain Stabilisation

The Group will build a stable and resilient supply chain by on-boarding quality suppliers and establishing long-term cooperative partnerships, complementing its own manufacturing capabilities and providing a solid foundation for new customer acquisition. The Group has established strategic partnerships with two leather goods manufacturers in Guangzhou and Dongguan, spanning a wide range of categories. This collaboration will continue and will enable the Group to provide customers with more comprehensive, professional, and timely manufacturing support.

(b) Business Diversification

In response to the continued rise in upstream raw material prices, the Group has expanded into rawhide sales (targeting leather processing enterprises in the Chinese Mainland) alongside its existing manufacturing operations. This strategic move is intended to complement existing operations by enhancing competitive advantages in purchase pricing, supply volume, and product quality and generate additional revenue.

(c) Customer Base Expansion

To expand its customer base, the Group has been actively participating in international trade fairs, including the Canton Fair and LINEAPELLE, as well as B2B platforms such as Alibaba. As a result of these efforts, the Group has successfully acquired 3 new customers with confirmed orders. In addition, the Leather Manufacturing Business is expanding its rawhide sales customer base.

MANAGEMENT DISCUSSION AND ANALYSIS

Leather Retail Business

The Group expects that the Leather Retail Business will remain as one of its core businesses and its revenue contributor in FY2026. However, it has historically accounted for only a small proportion of the Group's total revenue. Due to the weak economic environment, changes in consumption patterns and competitive pressure, the performance of the Leather Retail Business, particularly its offline stores, has been declining.

The Group's business strategy and plan for the Leather Retail Business is as follows:

(a) Offline Business Adjustment

The Group has closed all its physical AREA 0264 stores in Hong Kong due to high rental, labour and operating costs, reduced tourist spending, and the shift in consumer behaviour toward online channels. In view of the limited commercial efficiency of maintaining physical stores under the current market environment, the Group will temporarily focus its resources on online channels, including the official website, social media platforms, online marketing and digital conversion. This will help optimise the Group's cost structure, reduce fixed operating expenses and better align the business with the 2026 retail market, which is increasingly driven by online traffic and social media. When market conditions improve, the Group may consider re-entering physical retail at an appropriate time.

(b) Online Expansion and Multi-platform Deployment

In the second half of 2026, the Group will implement a multi-platform digital strategy, shifting the sales and marketing focus towards online channels, including Facebook, Instagram, TikTok and Threads, with the official website serving as the core platform for product display, customer enquiries, order conversion, order placement and after-sales engagement. Consistent brand identity, tone of communication, visual style and product positioning will be maintained across all platforms to enhance brand recognition and strengthen conversion of social media engagement into sales.

MANAGEMENT DISCUSSION AND ANALYSIS

For Facebook, the Group will publish detailed product introductions, brand stories, functionality explanations, customer reviews, promotional updates and community engagement content, supported by targeted advertising and remarketing.

For Instagram, the focus will be on visually appealing lifestyle content, product styling photos, Reels, Stories and limited-time promotions to build brand image and drive traffic to the website.

For TikTok, short-form videos, product demonstrations, styling suggestions, durability showcases, trend-based content and interactive campaigns will be used to reach younger consumers aged 20 to 30.

For Threads, the platform will be used for brand updates, product launches, lifestyle communication and real-time interactive messages to strengthen customer stickiness.

(c) Brand Repositioning and Rebranding

The Group has launched a brand repositioning and rebranding plan in mid-June 2026. The rebranding covers refreshment of the brand logo, redevelopment of the official website, redesign of social media visuals, unification of cross-platform brand identity, and refinement of product styles and designs. The objective is to adopt a modern, lifestyle-oriented, youthful and visually consistent image to better align with the preferences of younger customers aged 20 to 30 and support the shift to an online-driven model.

MANAGEMENT DISCUSSION AND ANALYSIS

The official website will be enhanced with clearer product categorisation, lifestyle imagery, mobile-friendly interface, simplified purchase journey and comprehensive product information to improve traffic conversion. Social media content will emphasise visually appealing styling, short-form videos, customer reviews and interactive promotions. Product designs will focus on stronger visual appeal, practical daily-use functions, accessible pricing and social media suitability. Newly designed styles will also be shared with overseas customers to generate additional OEM opportunities and strengthen synergy with the Leather Manufacturing Business. This rebranding represents a necessary optimisation aligned with current market trends and does not constitute a departure from the Leather Manufacturing Business and the Leather Retail Business (collectively, the “**Existing Businesses**”). Rather, it is a business optimisation and modernisation measure intended to better align the Group’s leather-related businesses with the current market environment and consumption patterns, and to improve their operating efficiency, customer base and financial performance.

(d) Customer Base Expansion

The Group will expand its customer base by targeting younger consumers aged 20 to 30 through online-focused strategies. This segment is more receptive to online shopping, social media content and visually driven presentations. The official website will serve as the primary conversion platform, while social media channels will generate traffic, build awareness and drive engagement. Data from online interactions will be used to refine product design, marketing and sales strategies. New product designs will also be shared with existing overseas customers to support additional manufacturing orders, thereby benefiting both the retail and manufacturing businesses.

Automobile Services Business

During the Reporting Period, the development of the Automobile Services Business was slower than expected. This was primarily due to delays in the commercialisation process during the first year of development, which is common for new businesses in their initial stage, rather than any adverse change in business fundamentals, market demand or technical feasibility.

MANAGEMENT DISCUSSION AND ANALYSIS

(a) Business Remained at Pilot and Market Development Stage

During the Reporting Period, the Automobile Services Business focused on technical validation, field testing, demonstration site selection, coordination with government authorities, and refining cooperation models with partners. As the business was still transitioning from pilot to commercial stage, revenue remained relatively limited.

(b) Project Progress Affected by External Coordination Factors

A key cooperation agreement was delayed due to postponed meetings with downstream parties caused by their administrative arrangements. The delay hindered pilot promotion, policy support, and the establishment of a demonstration site. This resulted in the absence of a reference demonstration project, which negatively affected other potential customers and prevented several memorandums of understanding from progressing to formal agreements.

(c) Progress of Major Cooperation Partner below Expectation

One major partner underperformed due to adjustments in its operating and pricing model. The original bundled service package was replaced with a pay-per-use model to encourage user trials. This change reduced revenue per service. The lack of a successful demonstration project further slowed the partner's market development.

(d) Customer Conversion Cycle Longer than Expected

Target customers (logistics operators, repair networks, and industrial users) typically require extensive pilot testing, validation, and internal approvals for new technologies. The longer-than-expected conversion cycle is consistent with the normal adoption pattern for new energy technologies.

MANAGEMENT DISCUSSION AND ANALYSIS

Notwithstanding the above, the Group's hydrogen engine cleaning technology has received positive feedback from potential customers for its environmental, efficiency and cleanliness benefits, with no adverse changes in business fundamentals, market demand or technical feasibility. With customer meetings rescheduled, demonstration projects proceeding and customers moving toward full commercialisation, more orders are expected in FY2026. The service coverage and market penetration of the Automobile Services Business are expected to improve progressively, and the Group will continue to expand this business.

Lifestyle Consumer Business

The Lifestyle Consumer Business represents a strategic extension of the Existing Businesses rather than a new standalone venture. It is highly integrated with the Existing Businesses in supply chain, product nature and market positioning, and leverages the Group's established network to enhance procurement efficiency, reduce costs and strengthen quality control. It comprises apparel manufacturing for a Chinese Mainland apparel brand (the **"Non-leather Apparel Manufacturing Business"**) (categorised separately as it involved no leather elements) and resale of electronic products (the **"Resale of Electronic Products Business"**).

(A) Business Model

(a) How the Business Operates and Generates Revenue and Profits

The Lifestyle Consumer Business mainly leverages the Group's existing experience and capabilities in sourcing, supplier management, customer communication, order management, logistics coordination and quality control, and is driven by market demand and customer orders.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Non-leather Apparel Manufacturing Business

The Group secures purchase orders from apparel brands and distributors and coordinates production with third-party garment manufacturers in the Chinese Mainland. Principal functions include supplier sourcing and production coordination, customer engagement and order procurement, order and quality management, and logistics and delivery arrangement. Revenue is recognised upon delivery and acceptance of finished products. The business model is similar to the Leather Manufacturing Business except for product type. The Group will incorporate leather components to apparel products and the production of leather items such as handbags in the second half of 2026, with revenue then be classified under the Leather Manufacturing Business.

(ii) Resale of Electronic Products Business

The Resale of Electronic Products Business is operated as a trading and resale business. The Group procures electronic products from suppliers based on market demand and resells them to corporate customers, distributors and trading customers under an inventory-holding resale model. The Group's principal functions include supplier procurement, sales and customer development, logistics and delivery coordination. Revenue is recognised upon delivery. This builds customer relationships for potential future integration of leather design elements and accessories.

The Group provides value through market-based product selection, basic product checking and delivery assurance, logistics and delivery coordination, procurement convenience and working capital efficiency for customers, and the credibility of its listed company status.

The Group will secure the Group's customer base in electronic products in the second half of 2026 for future expansion of its Existing Businesses, which may include incorporating leather design elements and accessories into lifestyle electronic products such as phone cases, smartwatch straps, tablet and laptop cases.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Source of Funding

The Lifestyle Consumer Business is primarily funded by the Group's internal resources, including working capital and operating cash flow. At the current stage, the capital requirement of the Lifestyle Consumer Business is relatively low and does not involve significant capital expenditure.

(c) Management Expertise and Scale of Staff

The Lifestyle Consumer Business is overseen by senior management, with Mr. Leung Wai Kit ("**Mr. Leung**"), an executive Director and deputy chief executive officer of the Company, with over 20 years of senior management experience in marketing and business management, playing a key role in identifying opportunities and coordinating commercial discussions. A lean team of approximately six staff members (primarily existing Group staff) supports procurement and supplier management, sales and customer development, order management and logistics coordination, quality control, and finance and internal control. The team structure is appropriate for the current early stage scale and will be expanded prudently based on business needs. Internal controls include customer and supplier assessments, profitability reviews, inventory monitoring and periodic senior management oversight. The skills required align closely with those of the Existing Businesses.

(d) Size and Diversity of Customer Base

In 2025 and the first half of 2026, the customer base of the Lifestyle Consumer Business was relatively concentrated, which is typical for a business at its early stage of development. A significant portion of revenue was attributable to a limited number of major corporate customers engaged in apparel distribution, trading and consumer electronics. All transactions were conducted in the ordinary course of business on normal commercial terms and on an arm's length basis.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Customer Base of the Non-leather Apparel Manufacturing Business

For the Non-leather Apparel Manufacturing Business, the major customers would be primarily Chinese Mainland apparel brands, distributors and trading customers. The Board considers that the customer base of the Non-leather Apparel Manufacturing Business is related to the Group's existing customer and product positioning, as both the Non-leather Apparel Manufacturing Business and the Existing Businesses are within the broader consumer products, fashion, apparel and lifestyle product sectors.

(ii) Customer Base of the Resale of Electronic Products Business

For the Resale of Electronic Products Business, the major customers are mainly corporate clients, distributors and trading companies in the consumer electronics, technology products and smart lifestyle sectors. The Board considers that although the Resale of Electronic Products Business currently involves non-leather products, it assists the Group in establishing customer relationships in the lifestyle electronic products sector. Such customer relationships may support the Group's future development of leather-related or leather-accented electronic accessories, such as mobile phone cases, smartwatch straps, tablet cases, laptop cases and other related products.

(iii) Reasons for Customer Concentration during 2025 and the Reporting Period

The Board considers the concentration not uncommon during the initial development phase. The relatively focused customer base resulted from prudent customer selection, emphasis on manageable order sizes, and the Group's light-asset operating model to ensure proper execution, quality control and risk management.

MANAGEMENT DISCUSSION AND ANALYSIS

(iv) How the Group Solicits New Customers

For the Non-leather Apparel Manufacturing Business, soliciting new customers in the apparel manufacturing business could leverage the Group's existing business contacts and commercial network accumulated from the Existing Businesses. The Group also approaches potential customers directly, including apparel brands and distributors. The Group also obtains referrals from suppliers, manufacturers, existing customers and business partners where potential customers have demand for apparel. The Group intends to further develop online and cross-border sales channels, including cross-border e-commerce customers and online distributors, in order to reach a wider customer base.

For the Resale of Electronic Products Business, the Group solicits new customers (i.e. corporate distributors and trading companies in the consumer electronics, technology products and smart lifestyle sectors) mainly through management's industry connections, in particular, Mr. Leung, who has over 20 years of sales and marketing experience in the telecom industry.

The Group continues to engage with potential customers and broaden its product offerings. The Board expects that the customer base will gradually expand and become more diversified as the business develops, thereby supporting revenue stability and creating cross-selling opportunities for the Group's leather products.

MANAGEMENT DISCUSSION AND ANALYSIS

(v) Measures to Diversify Customer Base and Reduce Concentration Risk
To mitigate customer concentration risk and enhance business sustainability, the Group has implemented and will continue to implement the following measures:

- (1) actively expanding the customer base by developing new distributors, retailers, cross-border e-commerce clients and other corporate customers;
- (2) diversifying sales channels, including online and cross-border platforms;
- (3) broadening the product portfolio to cover a wider range of lifestyle products, including higher value-added items and leather-related products;
- (4) developing leather component opportunities in apparel and leather-accented electronic accessories (such as mobile phone cases, smartwatch straps, tablet and laptop cases); and
- (5) strengthening long-term relationships with both existing and new customers while maintaining prudent credit assessment, payment terms review and risk control before accepting orders.

(vi) Latest Development and Expected Diversification of Customer Base
The Group continues to identify and communicate with potential customers, including distributors, retailers, apparel brands, trading customers and cross-border e-commerce operators.

The Board expects the customer base to gradually expand and become more diversified as the Lifestyle Consumer Business develops, with customer concentration reducing through additional customers, expanded product categories and recurring relationships. The Group will maintain a prudent approach, evaluating order profitability, payment terms, customer creditworthiness, supplier reliability and working capital requirements before entering into transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board emphasises that the Lifestyle Consumer Business forms part of the Group's broader strategy to introduce leather products or leather-related items to these customers in the future and create synergy with the Existing Businesses, particularly the Leather Manufacturing Business. New customers are actively approached through management's business network, industry contacts, referrals, industry networking, direct marketing, online platforms, trade directories and exhibitions for both the Non-leather Apparel Manufacturing Business and Resale of Electronic Products Business.

For the Non-leather Apparel Manufacturing Business, the Group will continue to approach apparel brands, garment distributors, sourcing agents and trading customers. The Group adopts a customer development strategy focusing on industry networking, customer referrals, direct marketing, market research, online business platforms, trade directories and participation in industry exhibitions and sourcing events. The Group introduces its sourcing management, production coordination and quality control capabilities to potential customers and seeks to establish trial orders or sample production projects, which may subsequently develop into longer term business relationships.

For the Resale of Electronic Products Business, the Group will continue to target corporate customers, distributors, trading companies, online sellers and cross-border e-commerce operators in the consumer electronics, mobile technology and smart lifestyle products sectors. Potential customers are identified through the management's business network, customer referrals, online business platforms, trade directories and market intelligence obtained from industry participants. The Group actively communicates with potential customers to understand their product sourcing needs, procurement plans, preferred product categories and expected delivery schedules and provides inventory-holding, logistics coordination and fulfilment support services.

MANAGEMENT DISCUSSION AND ANALYSIS

(e) Source of Supply

For Non-leather Apparel Manufacturing Business, the Group worked with Chinese Mainland garment manufacturers, which were mainly found through the Group's existing business network and referrals from customers. For Resale of Electronic Products Business, the Group worked with one Hong Kong-based company engaged in technology distribution and smart lifestyle solutions, which was mainly found through the business network of the management built upon the previous work experience in the telecom industry.

(f) The Infrastructure and Other Functions in Support of the Operations

Other than the Group's current resources, there is no material infrastructure in support of the operations of the Lifestyle Consumer Business.

(g) Details of the Business Strategies and Plans

- (i) Leverage synergies: Use the Group's leather manufacturing expertise to extend into broader lifestyle products, enhancing product value and margin potential.
- (ii) Expand complementary categories: Trade lifestyle consumer products (smartphones, smartwatches) to drive sales of complementary leather accessories (cases, straps, etc.).
- (iii) Diversify customer base and channels: Actively develop new customers (distributors, retailers, cross-border e-commerce) and online sales channels.
- (iv) Expand product portfolio: Introduce a wider range of lifestyle products to attract different market segments.
- (v) Maintain focus: Not engage in any manufacturing outside existing leather processing expertise; all new developments remain aligned with core capabilities in leather processing, supply chain management, and product sourcing.

MANAGEMENT DISCUSSION AND ANALYSIS

- (vi) Risk control: Ensure operational consistency and effective risk control by staying within established areas of expertise.

(B) Positioning of the Lifestyle Consumer Business

The Board considers that the Lifestyle Consumer Business is commercially related to and complementary with the Existing Businesses. It utilises the same supply chain and sourcing capabilities, targets similar customer segments in the consumer products market, and creates product extension and cross-selling opportunities (such as adding leather elements to apparel and developing leather accessories for electronic products). It improves business resilience and helps diversify customer concentration risk without any intention to replace or discontinue the Leather Manufacturing Business or Leather Retail Business, which remain the Group's principal businesses.

Industrial Hemp Business

The Group had planned to diversify into industrial hemp cultivation and the production of hemp textile products and resumed trial cultivation of the hemp variety "Yunma No. 8" in late May 2024. However, the Group has not achieved the expected progress in the development of industrial hemp cultivation and the related value chain. After considering current market prospects, technological maturity and resource allocation, the project has not yet met the key conditions necessary to support sustainable development. The Group will continue to prudently assess the development potential of this business and monitor relevant market and policy changes to adjust its development strategy in a timely manner.

Artificial Intelligence Data Center Business

On 28 May 2026, the Group entered into a joint venture agreement with Nexelon Limited so as to rationalise the shareholding structure of Ganic Success Limited (the "**JV Company**"). The parties intended to jointly develop the artificial intelligence data center businesses ("**AIDC**") in Southeast Asia through the JV Company.

Upon completion of the above joint venture agreement, the JV Company is owned as to 60% by the Group and 40% by Nexelon Limited, and the JV Company remains a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

On 2 June 2026, the JV Company received a priority grant (the “**Priority Grant**”) of supply from Shanghai Data Center Science Co., Ltd (上海德衡數據科技有限公司) (the “**Strategic Partner**”) the prefabricated AIDC modules (the “**Products**”) for 3 years. The specific supply and purchase of the Products shall be subject to the separate individual agreements to be concluded by the parties after arm’s length negotiations.

In all production links including the production scheduling, raw material allocation, equipment deployment and overall capacity arrangement, the Strategic Partner shall prioritize the production demands of the JV Company, ensure the JV Company’s orders are scheduled and executed first, without being affected by any other orders.

During July and August 2026, Ganic Synergy Company Limited, a direct wholly owned subsidiary of the JV Company, entered into procurement contracts with Brightray Veridian PTE. LTD. for the provision of procurement services, including but not limited to the procurement of prefabricated AIDC modules, standardized modular transport to Malaysia, and relevant acceptance testing and installation services, at fees of US\$93 million (equivalent to approximately HK\$731 million) in aggregate.

For details, please refer to the announcements of the Company dated 28 May 2026, 2 June 2026, 26 July 2026 and 3 August 2026.

The global wave of artificial intelligence (“**AI**”) and the accelerated advancement of digitalization have led to the continuous expansion of the market size of intelligent computing centers and data centers, which serve as the computing infrastructure for AI and digitalization. Prefabricated AIDC modules represent the next leap in computing infrastructure, explicitly designed to accelerate international expansion. Through standardized modular shipping, they offer a highly scalable solution that can be swiftly exported and deployed globally to fulfill urgent demands. The rapid surge in AI infrastructure demand has led to shortage and delays in supply for AIDC deployments. While prefabricated AIDC modules are designed to bypass long on-site construction timelines, manufacturers are hitting severe bottlenecks due to shortages across several critical sub-components and resources.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the receipt of the Priority Grant from the Strategic Partner, the JV Company can leverage on its relationship with the Strategic Partner for sourcing the specific type of prefabricated AIDC modules in a timely and efficient manner, which is critical amid the intense competition in the AI infrastructure industry as it could ensure reliable procurement and guaranteed delivery timelines, enable the JV Company to fulfill customer commitments without disruption from supply chain volatility or competing orders. Meanwhile, the successful delivery and warranty performance of the procurement contracts will enhance the JV Company's track record in prefabricated AIDC module supply and provide the Group with valuable operational experience in AI infrastructure development and market expertise in the high-performance computing sector which could also support the Group's future bid and partnership with potential AIDC developers and operators in future.

The Board considers that the above business strategies 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 2026, the Group's cash and bank deposits were approximately HK\$6,799,000 as compared to approximately HK\$27,966,000 as at 31 December 2025.

The Group recorded total current assets of approximately HK\$38,064,000 as at 30 June 2026 (31 December 2025: approximately HK\$37,679,000) and total current liabilities of approximately HK\$45,955,000 as at 30 June 2026 (31 December 2025: approximately HK\$53,224,000). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.83 times as at 30 June 2026 (31 December 2025: approximately 0.71 times).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2026, the Group had total assets amounting to approximately HK\$40,092,000 (31 December 2025: approximately HK\$39,947,000) and total liabilities of approximately HK\$46,623,000 (31 December 2025: approximately HK\$57,319,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 116.3% (31 December 2025: approximately 143.5%) as at 30 June 2026.

The improvement in current ratio and gearing ratio were mainly due to the raising of funds by way of placing of shares, which was completed in January 2026.

The Group recorded deficiency in assets of approximately HK\$6,531,000 as at 30 June 2026 (31 December 2025: HK\$17,372,000), the decrease was mainly attributable to funds raised by way of placing of shares during the Reporting Period.

As detailed in note 2(c) to the Interim Financial Statements, the Company has undertaken various measures to improve its liquidity.

Apart from 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 2026 and 31 December 2025, respectively.

Inventories and trade receivables

The Group recorded total inventories of approximately HK\$1,719,000 as at 30 June 2026 (31 December 2025: approximately HK\$1,174,000). The Group had trade receivables of approximately HK\$16,695,000 as at 30 June 2026 (31 December 2025: approximately HK\$3,407,000).

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL AND FUND RAISING ACTIVITIES

As at 30 June 2026, the issued share capital of the Company was HK\$4,746,560 divided into 474,656,000 shares of the Company with par value of HK\$0.01 each.

During the six months ended 30 June 2026, an aggregate of 12,916,000 shares of the Company had been issued and allotted.

Details of the fund-raising activities and relevant use of proceeds are set out below:

Placing of New Shares under General Mandate in October 2025

On 30 September 2025, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons, to subscribe for up to 15,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$1.75 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 3 June 2025. The placing price of HK\$1.75 per placing share represented a discount of approximately 16.27% to the closing price of HK\$2.09 per share as quoted on the Stock Exchange on the date of the above placing agreement.

On 27 October 2025, an aggregate of 15,000,000 placing shares with par value of HK\$0.01 each have been successfully placed to not less than six placees at the placing price of HK\$1.75 per placing share pursuant to the terms of the relevant placing agreement. The aggregate nominal value of the 15,000,000 placing shares was HK\$150,000.

The gross proceeds from the above placing were approximately HK\$26.25 million, and the net proceeds, after deducting the placing commission, professional fees and other related expenses incurred in relation to the above placing, amounted to approximately HK\$25.55 million, representing a net issue price of HK\$1.70 per placing share.

MANAGEMENT DISCUSSION AND ANALYSIS

The Intended use of net proceeds and actual utilization of the net proceeds is set out below:

Intended use of net proceeds	Actual use of net proceeds as at 30 June 2026	Expected timeline for use of unutilized net proceeds
(i) HK\$6.06 million for the existing business operation for purchase of materials, equipment, and overhead costs related to the leather manufacturing and extended cleaning services for leather and motor vehicle's engine	All used as intended	N/A
(ii) HK\$13.69 million for the general working capital of the Group including rental payments, staff costs, professional fees and other general administrative and operating expenses	All used as intended	N/A
(iii) HK\$2.94 million for the settlement of outstanding payables	All used as intended	N/A
(iv) HK\$2.86 million for new business opportunities including but not limited to Web3 technology application scenarios	HK\$0.37 million for new business opportunities remains unutilized, other all used as intended	On or before 31 December 2026

The Directors considered that the above placing represents a good opportunity to raise additional funds through the equity market and will strengthen the Group's financial position.

For the details of the above placing, please refer to the announcements of the Company dated 30 September 2025 and 27 October 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Placing of New Shares under General Mandate in January 2026

On 6 January 2026, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons, to subscribe for up to 20,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$2.16 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 3 June 2025. The placing price of HK\$2.16 per placing share represented a discount of approximately 14.96% to the closing price of HK\$2.54 per share as quoted on the Stock Exchange on the date of the above placing agreement.

On 27 January 2026, an aggregate of 12,916,000 placing shares with par value of HK\$0.01 each have been successfully placed to not less than six placees at the placing price of HK\$2.16 per placing share pursuant to the terms of the relevant placing agreement. The aggregate nominal value of the 12,916,000 placing shares was HK\$129,160.

The gross proceeds from the above placing were approximately HK\$27.90 million, and the net proceeds, after deducting the placing commission, professional fees and other related expenses incurred in relation to the above placing, amounted to approximately HK\$27.14 million, representing a net issue price of HK\$2.101 per placing share.

MANAGEMENT DISCUSSION AND ANALYSIS

The Intended use of net proceeds and actual utilization of the net proceeds is set out below:

Intended use of net proceeds	Actual use of net proceeds as at 30 June 2026
(i) HK\$11.60 million for the existing business operation for purchase of materials, equipment, and overhead costs related to the leather manufacturing and/or extended cleaning services for leather and motor vehicle's engine and other trading business	All used as intended
(ii) HK\$9.04 million for the general working capital of the Group including, but not limited to, rental payments, staff costs, professional fees and other general administrative and operating expenses	All used as intended
(iii) HK\$6.50 million for the repayment of outstanding indebtedness	All used as intended

The Directors considered that the above placing represents a good opportunity to raise additional funds through the equity market and will strengthen the Group's financial position.

For the details of the above placing, please refer to the announcements of the Company dated 6 January 2026 and 27 January 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

Placing of New Shares under General Mandate in March 2026

On 17 March 2026, the Company entered into a placing agreement with VC Brokerage Limited, pursuant to which VC Brokerage Limited has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons, to subscribe for up to 25,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company (i.e. the placing shares) at the placing price of HK\$1.83 per placing share. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 3 June 2025. The placing price of HK\$1.83 per placing share represented a discount of approximately 14.08% to the closing price of HK\$2.13 per share as quoted on the Stock Exchange on the date of the above placing agreement.

As the conditions precedent as set out in the above placing agreement were not fully satisfied or fulfilled by 9 April 2026 (i.e. the closing date), the above placing agreement has lapsed.

For the details of the above placing, please refer to the announcements of the Company dated 17 March 2026 and 8 April 2026.

TREASURY POLICY

The Group generally finances its operation with internally generated resources and advances and loans from Directors and other fund-raising activities, including but not limit to placing of new shares. 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 a significant impact on the Group’s business, financial condition and results. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES OF ASSETS

The Group did not have any charges on assets as at 30 June 2026 (31 December 2025: Nil).

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at and during the six months ended 30 June 2026 (31 December 2025: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed elsewhere in this report, the Group does not have any other plans for material investments and capital assets as at the date of this report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed elsewhere in this report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2026.

COMMITMENTS AND CONTINGENT LIABILITIES

Other than the commitments disclosed in note 23 to the Interim Financial Statements, the Group had no significant commitments or contingent liabilities as at 30 June 2026 and 31 December 2025.

HUMAN RESOURCES

As at 30 June 2026, the Group employed 88 (31 December 2025: 94 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, share award scheme, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board resolved not to declare any an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

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

As at 30 June 2026, 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 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 Listing Rules, were as follows:

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

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding ⁽¹⁾
Qin Bohan	Beneficial owner	5,000,000	1.05%
Zhang Li	Beneficial owner	5,000,000	1.05%
Leung Wai Kit	Beneficial owner	4,000,000	0.84%
Lei Zhengbiao	Beneficial owner	2,000,000	0.42%
Ding Wentuo	Beneficial owner	2,000,000	0.42%

Note:

- (1) The percentage figures disclosed under "Approximate percentage of shareholding" are calculated based on 474,656,000 shares, being the number of total issued shares of the Company as of 30 June 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 June 2026, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

So far as known to the Directors, as at 30 June 2026, the following person (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the shares, the underlying shares or debentures of the Company which is required to be 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 ⁽¹⁾
Waterfront Holding Group Co., Ltd.	Beneficial owner	201,264,406	42.40%
Mr. Zhao Jingfei	Interest of a controlled corporation	201,264,406	42.40%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) The percentage figures disclosed under “Approximate percentage of shareholding” are calculated based on 474,656,000 shares, being the number of total issued shares of the Company as of 30 June 2026.
- (2) 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.

Save as disclosed above, as at 30 June 2026, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the shares, the underlying shares or debentures of the Company which were required to be 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 SCHEME

Share Award Scheme

A share award scheme (the “**Share Award Scheme**”) was approved and adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 5 June 2026. The purposes of the Share Award Scheme are to align the interests of eligible participants, including employees of the Company, its subsidiaries and related entities, and service providers of the Company, with those of the Group through ownership of shares, dividends and other distributions paid on shares and/or the increase in value of the shares and to encourage and enable the eligible participants to make contributions to the long-term growth and profits of the Group and share in the success of the Group.

No award share was granted under the Share Award Scheme since its adoption and up to 30 June 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

On 10 July 2026, an aggregate of 13,900,000 award shares were conditionally granted (the “**Conditional Grants**”) to three executive Directors, representing approximately 2.93% of the weighted average number of issued shares (excluding treasury shares of the Company). The Conditional Grants, together with the transactions contemplated thereunder, are subject to the approval of the shareholders of the Company at an extraordinary general meeting to be convened.

In addition, vesting of the above award shares is conditional upon such grantees having met certain achievement performance targets as determined by the Board at its absolute discretion. The performance targets are based on the performance and other management indicators and/or other appropriate indicators of the Group and its relevant segments, as assessed by the Board from time to time.

All award shares are subject to clawback, including but not limited to circumstances where there has been a material misstatement or omission in the financial statements of the Group made by the respective grantee or if the respective grantee has engaged in serious negligence, fraud or misconduct, breached the Company’s policies, rules or regulations or other circumstances.

Save for the Share Award Scheme, the Company does not have any other share schemes. As at 5 June 2026 (i.e. the date of adoption), 30 June 2026 and the date of this report, the maximum number of shares which may be allotted and issued in respect of all award shares to be granted under the Share Award Scheme (i.e. the scheme mandate limit) was 47,465,600 shares, including the service provider sub-limit of 9,493,120 shares.

As at the date of this report, save for the Conditional Grants mentioned above, no award shares have been granted under the Share Award Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed “Share Scheme” above, at no time during the six months ended 30 June 2026 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 annual remuneration of Mr. Leung Wai Kit, an executive Director and the deputy chief executive officer of the Company, and Mr. Lei Zhengbiao, an executive Director, had been adjusted to HK\$1,200,000 and HK\$720,000 respectively, with effect from 1 July 2026.

Save as disclosed above, there is no 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.

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 (including the sale or transfer of treasury shares) during the six months ended 30 June 2026.

CORPORATE GOVERNANCE

The Board believes that good corporate governance is important to the success of the Company. The Company is committed to attaining good standard of corporate governance practices in order to enhance shareholders' value and safeguard the interests of shareholders.

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 to the Listing Rules.

In the opinion of the Directors, the Company has complied with all applicable Code Provisions as set out in the CG Code during the six months ended 30 June 2026.

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 2026.

EVENTS AFTER THE REPORTING PERIOD

Save disclosed in the sections headed "Artificial Intelligence Data Center Business" and "Share Award Scheme" in this report, there have been no significant events occurring 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 Group's financial reporting process, internal controls and risk management systems of the Group, and review of the Group's financial information. As at 30 June 2026 and the date of this report, the Audit Committee comprised three independent non-executive Directors, Mr. Chen Heyi (Committee Chairman), Ms. Jia Lixin and Ms. Chen Mengsi. The Group's Interim Financial Statements for the six months ended 30 June 2026 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 and this report, and was satisfied that these Interim Financial Statements and this report were prepared in accordance with applicable accounting standards, the Listing Rules, other applicable legal requirements, and that adequate disclosures have been made.

By Order of the Board

China International Development Corporation Limited

Qin Bohan

Co-Chairman and Executive Director

Hong Kong, 28 August 2026