

KUANGCHI SCIENCE LIMITED

Incorporated in Bermuda with limited liability

Stock Code: 439



KUANGCHI 光啟科學

2025

Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Yangyang (*Chairman*)

Dr. Liu Weiwen

(*appointed on 10 September 2025*)

Mr. Lin Ge

(*appointed on 10 September 2025*)

Dr. Liu Ruopeng

(*resigned on 10 September 2025*)

Dr. Luan Lin

(*resigned on 10 September 2025*)

Dr. Ji Chunlin

(*resigned on 10 September 2025*)

Non-executive Director

Mr. Li Chiu Ho

Independent Non-executive Directors

Dr. Wong Kai Kit

Mr. Choi Wing Koon

Dr. Wu Zhili

AUDIT COMMITTEE

Mr. Choi Wing Koon (*Chairman*)

Dr. Wong Kai Kit

Dr. Wu Zhili

REMUNERATION COMMITTEE

Dr. Wong Kai Kit (*Chairman*)

Dr. Zhang Yangyang

Dr. Wu Zhili

NOMINATION COMMITTEE

Dr. Zhang Yangyang

Dr. Wong Kai Kit

Dr. Wu Zhili

COMPANY SECRETARY

Mr. Cheng Chi Chung Kevin

AUDITOR

Prism Hong Kong Limited

(*appointed on 27 June 2025*)

Certified Public Accountants

Units 1903 -1905, 19/F,

8 Observatory Road,

Tsim Sha Tsui,

Hong Kong

RSM Hong Kong (*retired on 27 June 2025*)

REGISTERED OFFICE

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2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE IN HONG KONG

Unit 1104, 11/F., Leighton Centre

77 Leighton Road

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Hong Kong

CORPORATE INFORMATION

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REGISTRARS

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16 Harcourt Road
Hong Kong

Bermuda

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
PingAn Bank Co., Ltd.

STOCK CODE

439

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW AND PROSPECTS

KuangChi Science Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are mainly engaged in the provision of AI-empowered terminal products and integrated technical services and solutions in various vertical fields (“**AI Business**”) as well as the design, production and manufacturing of high-end industrial components (“**High-end Industrial Business**”). For the six months ended 30 June 2025 (the “**Period**”), the Group recorded a sale revenue of approximately HK\$33.7 million, representing a year-on-year slight increase of 5.1%, and a net profit for the period of HK\$1.8 million (30 June 2024: net loss of approximately HK\$5.2 million). The increase in net profit for the Period was primarily due to the decrease in operating expenses and income tax expense.

Strengthening Core Businesses and Expanding Strategic Areas

As of 30 June 2025, the Group, as a technological innovation enterprise focusing on AI technology, continues to cultivate AI products and empowering vertical industry applications by relying on its independently developed core underlying algorithms and big data platform. At the technical level, the Group has been leveraging its accumulated AI algorithms to drive performance optimisation, functional iteration, and system upgrades for smart wearable devices (such as police and fire helmets), while gradually deepening the research and development of customised smart system solutions. At the application level, the Group has been focusing on key areas such as public safety, emergency rescue, industrial inspection, and smart production management, and realising diversified application expansion and value enhancement by deeply exploring industry needs. This Period, the Group’s high-end aviation tooling business has expanded steadily and achieved good growth, significantly enhancing the Group’s product design, system integration and comprehensive solution capabilities in the industrial field, deepening its understanding of related industries, and assisting to implement application scenarios.

The Group’s core AI business is customized system development, with smart wearable devices and intelligent factories being key focus areas. This business is based on AI algorithms and big data platforms, providing customized products and solutions that address customer challenges and comply with industry standards. Its intelligent industrial inspection system platform and smart factory solutions are characterized by their strong targeting, high adaptability, fast and high efficiency. In the field of smart wearable devices, smart police helmets have consolidated their market share through functional optimization and integrated solution upgrades. The Company’s self-developed smart firefighting helmets have achieved a major breakthrough, with the first product delivered. With the steady development of its core business, the Group is accelerating the formation of new productive forces driven by AI, promoting the deep integration of AI algorithms and large models with manufacturing sector.

MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, with an eye on the cutting-edge trends in future industrial transformation and technological waves, the Group's management team, after in-depth discussion and analysis, has preliminarily focused its future strategic expansion efforts primarily on the fields of AI and new materials. This strategic positioning stems from the Group's management team's understanding of the global technological development landscape and its grasp of the Group's core strengths. Leveraging its core technical capabilities and deep industry insights in AI, big data platforms, and industrial manufacturing, the Group plans to actively and systematically invest resources in the coming cycles to further expand the research and development of AI technology and its application scenarios. In this process, the Group will explore and pioneer the integration of AI technology with traditional materials engineering, new functional material research and development, and advanced manufacturing processes, to empower new materials-related sub-industries, with the aim of addressing challenges of traditional manufacturers and end customers, enhancing product value, and exploring potential application directions including but not limited to new energy, aerospace equipment, environmental protection, flexible electronics, and smart sensing. The Group will continue to deepen its strategic cooperation with leading universities, research institutes, and industry-leading enterprises in the areas of industry-academia-research collaboration, jointly building an open and innovative R&D ecosystem. We will further explore the innovative applications of AI technology in new materials and corresponding integrated solutions, opening up new growth engines for the Group and establishing a technological moat for the future. Management will also continue to adhere to the principles of strategic stability and innovative development, with a customer-centric approach and quality as the foundation, strengthening internal management optimization and market expansion efforts to continuously enhance the Group's core competitiveness and market share.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION AND REMUNERATION POLICIES

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

As of 30 June 2025, the Group had an aggregate of 131 employees (as of 31 December 2024: 179 employees). The Group will recruit highly skilled talents in AI algorithms, big data, electronic information, industrial design, intelligent manufacturing engineering and other areas from all over the world, and promote individual persons according to their strengths and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and prevailing market salary scale. During the Period, employee benefit expenses (including Directors' remuneration) was approximately HK\$8,286,000 (30 June 2024: approximately HK\$7,868,000).

The Group is dedicated to the training and development of its employees. The Group leverages its research and development capabilities and other resources to ensure that each employee maintains a current skill-set through continuous training. The Group provides introductory training and orientation for all new employees, as well as on-the job training to continually improve its employees' technical, professional and management skills. The Company has also adopted share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contributes to the success of the Group's operations.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Period (2024: nil).

CAPITAL STRUCTURE

As at 30 June 2025, the Company has issued 615,692,886 ordinary shares. The Group finances its working capital requirements through cash generated from its business operation. The Group had bank and cash balances of HK\$77.8 million as at 30 June 2025, a decrease of HK\$69.5 million as compared to 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2025, the Group's total shareholders' funds amounted to approximately HK\$2,490.9 million (31 December 2024: HK\$2,727.4 million). Total assets were approximately HK\$2,945.5 million (31 December 2024: HK\$3,201.6 million) and total liabilities were approximately HK\$454.6 million (31 December 2024: HK\$474.2 million).

As at 30 June 2025, the Group had bank and cash balances of approximately HK\$77.8 million (31 December 2024: HK\$147.3 million) and pledged bank deposits of approximately HK\$870,000 (31 December 2024: HK\$841,000). The gearing ratio as of 30 June 2025, is calculated as net debt divided by total capital, which is defined as the percentage of the total interest-bearing debt, including bank borrowings of approximately HK\$110.9 million (31 December 2024: HK\$90.5 million) to total capital, was approximately 1.30% (31 December 2024: nil due to net cash).

As at 30 June 2025, the Group's total bank borrowings of approximately HK\$110.9 million (31 December 2024: HK\$90.5 million), of which approximately HK\$26.0 million (31 December 2024: HK\$21.2 million) and HK\$84.9 million (31 December 2024: HK\$69.3 million) will be repayable within one year and after one year respectively, carried interest rate at the floating rates from 3.20% to 6.90% (31 December 2024: 5.90% to 6.90%) per annum.

Most of the assets, liabilities and transactions of the Group are primarily denominated in HK\$, RMB and USD. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

Particulars of bank borrowings of the Group as at 30 June 2025 are set out in note 23 to the condensed consolidated financial information.

PLEDGE OF ASSETS

As at 30 June 2025, the right-of-use assets amounted to HK\$65.9 million (31 December 2024: HK\$64.7 million) and construction-in-progress amounted to HK\$463.9 million (31 December 2024: HK\$442.6 million) were pledged for the Group's bank borrowings. The bank deposits amounted to HK\$870,000 as at 30 June 2025 (31 December 2024: HK\$841,000) were pledged for the construction work and service contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

Save as disclosed elsewhere in the interim condensed consolidated financial information, as at 30 June 2025, the Group had no other contingent liabilities (as at 31 December 2024: nil).

RISK MANAGEMENT

During the Period under review, the Group regularly reviewed the risk and credit control systems in order to improve the overall controlling system and mitigate credit risk. This also ensures that the Group is capable of effectively conducting business operations and facilitates further development. There have been no significant changes in the Group's risk management policy since the year-end date last year.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS

KC Subscription in Kuang-Chi Technologies Co., Ltd. ("KCT")

KCT, a company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 002625), is principally engaged in developing innovative advanced technology and its core business is in metamaterial intelligent structure and equipment research, as well as the manufacture of seat function components for automobiles.

On 25 March 2015, the Group entered into a subscription agreement with KCT, pursuant to which KCT conditionally agreed to issue, and the Group conditionally agreed to subscribe for 42,075,736 new shares of KCT at the consideration of RMB300.0 million (equivalent to approximately HK\$345.0 million). On 11 November 2016, the Group obtained the approval from the China Securities Regulatory Commission for the subscription and certain conditions of the subscription agreement have been satisfied. The subscription right is a derivative that measured at fair value through profit or loss. During the year ended 31 December 2016, the Group recognised a gain of HK\$1,021.1 million on the initial recognition of the subscription right of such shares and a loss from changes in fair value of HK\$229.9 million. The subscription has been completed and the new shares was listed on the Shenzhen Stock Exchange on 13 February 2017 and was recognised as available-for-sale financial assets ("AFS") on the same day. As at 13 February 2017, the fair value of the derivatives right of shares of KCT amounted to approximately HK\$1,419.7 million and hence the Group recognised a fair value gain of HK\$616.4 million upon the conversion of derivative in the consolidated statement of profit or loss. Subsequent to the completion of subscription on 13 February 2017, the Group held approximately 3.2% of the ordinary shares of KCT issued. The Board considers the Company has no significant influence over KCT and no right to appoint any director, and hence classified the investment in KCT as AFS investment at HK\$1,419.7 million which is the fair value of KCT as at 13 February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group disposed of a total of 15,245,891 KCT shares (“**KCT Disposal**”) on the open market through a series of transactions during the period from 20 January 2021 to 8 February 2021, at the aggregate consideration of approximately RMB385,718,000. The average selling price of disposal of KCT shares was approximately RMB25.30. After the KCT Disposal, the sale proceeds were approximately HK\$442,970,000, the Group recognised a fair value gain of approximately HK\$57,527,000 for the KCT Disposal in other comprehensive income for the year ended 31 December 2021.

KCT declared dividend of RMB1.35 per every 10 KCT shares on 23 November 2022 and the Group received approximately RMB7,598,000 (equivalent to HK\$8,819,000) on 23 December 2022.

The Group disposed of a total of 11,589,200 KCT shares (“**KCT Disposal in 2023**”) on the open market through a series of transactions during the period from 9 February 2023 to 24 July 2023, at the aggregate consideration of approximately RMB202,625,000. The average selling price of KCT Disposal in 2023 was approximately RMB17.48. After the KCT Disposal in 2023, the net sale proceeds were approximately HK\$213,956,000, the Group recognised a fair value gain of approximately HK\$5,933,000 for the KCT Disposal in 2023 in other comprehensive income for the year ended 31 December 2023.

KCT declared dividend of RMB2.33 per every 10 KCT shares on 10 October 2024 and the Group received approximately RMB10,414,000 (equivalent to HK\$11,275,000) on 21 October 2024.

As at 30 June 2025, the Group held 44,693,660 ordinary shares of KCT, which represented approximately 2.07% of the KCT issued shares. As at 30 June 2025, the carrying amount of the share of KCT is approximately HK\$1,959.8 million (31 December 2024: HK\$2,264.8 million), which represented 66.5% (31 December 2024: 70.7%) of the total assets of the Group.

Save as disclosed above, the Group did not have any other significant investments and there are no other material acquisition or disposal of subsidiaries and associated company during the Period.

EVENT AFTER THE REPORTING PERIOD

There was no significant event which would cause material impact on the Group from the end of the Period to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has no plan for any material investments or additions of capital assets as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

UPDATE ON THE AUDIT QUALIFICATION FOR THE YEAR ENDED 31 DECEMBER 2024

We refer to details contained in the 2024 annual report in connection with the qualified opinion as disclosed in the independent auditor's report for the year ended 31 December 2024 (the "**Audit Qualification**") relating to uncertainties arising from a litigation on a dispute between the Group and the customer on a sales contract.

A subsidiary of the Group (the "**Relevant Subsidiary**") entered into the sales and purchase contract (the "**Sales Contract**") with a state-owned enterprise ("**Company A**") in December 2015, with a total contract sum of RMB150,000,000, to build intelligent community systems. The Group performed its obligations according to the Sales Contract, and recognized revenue of RMB145,000,000 in year 2015, and received payment from Company A in a total amount of RMB103,500,000 in 2016. As Company A failed to pay the remaining balance in the amount of RMB46,500,000 according to the Sales Contract, the Group filed a claim against Company A with the First People's Court of Dongguan, Guangdong Province (廣東省東莞市第一人民法院) in 2022 to claim for the remaining balance under the Sales Contract. In 2023, the court of first instance ruled in favour of the Group and ordered Company A to pay a compensation in an amount of RMB44,000,000 to the Group (the "**First Instance Judgment**").

Subsequently, Company A filed an appeal and a counterclaim to rescind the Sales Contract alleging non-performance on the part of the Relevant Subsidiary. In November 2024, the Intermediate People's Court of Dongguan, Guangdong Province (廣東省東莞市中級人民法院) overturned the First Instance Judgment and ordered that the Sales Contract shall be rescinded and the Group shall refund the amount of RMB103,500,000 received plus legal costs (the "**Second Instance Judgment**").

In response to Second Instance Judgement, upon careful assessment and based on professional legal advice obtained from its PRC legal advisers, the Group has submitted a retrial application to the High People's Court of Guangdong Province (廣東省高級人民法院) as the Second Instance Judgement, may have reached its decision based on misapplication of laws and facts and procedural irregularity. The High People's Court of Guangdong Province has acknowledged the application of appeal and a hearing was held during the six months ended 30 June 2025. However, the final ruling is still pending as at 30 June 2025. During the six months ended 30 June 2025, a court order was enforced against the Relevant Subsidiary, resulting in payments together with accrued interest of approximately RMB108.3 million and such payments were recorded as other deposit paid in the condensed consolidated statement of financial position as at 30 June 2025.

Based on the expert advice of a PRC legal counsel and the current status of the appeal proceeding, the Directors are of the view that it is not probable the final outcome of the appeal proceeding will result in a material adverse impact on the financial position and performance of the Group and conclude that no provision shall therefore be made on the other deposit paid. However, given the nature of the appeal proceeding, it would be impossible to predict the outcome of the appeal proceeding with a sufficient degree of certainty.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

The Company maintains a share option scheme of the Company (“**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group.

Movement of options granted under the Share Option Scheme is as follows:

Category of participant	Date of Grant	Exercise price (HK\$)	Exercisable period ⁽¹⁾	Closing price immediately prior to date of grant (HK\$)	Outstanding as at 1 January 2025	Granted during the Period	Exercised during the Period	Weighted average closing price immediately prior to date of exercise of options (HK\$)	Lapsed during the Period	Cancelled during the Period	Outstanding as at 30 June 2025
Employees	22.4.2021	2,290	22.4.2022-21.4.2026 ⁽²⁾	2,290	1,626,000	-	-	N/A	-	-	1,626,000
Directors and chief executives	22.4. 2021	2,290	22.4. 2022-21.4.2026 ⁽²⁾	2,290	120,000	-	-	N/A	-	-	120,000

- 1) Vesting of the share options is conditional upon the achievement of certain performance targets as set out in respective offer letters.
- 2) Commencing from the first, second and third anniversaries of the date of grant of the options, the relevant grantee may exercise up to 33%, 33% and 34% respectively of the options granted.

No further options were granted under the Share Option Scheme on or after 31 July 2022 as the right to do so terminated on the same day.

Save as disclosed above, no share options were exercised, cancelled or forfeited during the Period.

The number of shares that may be issued in respect of options granted under the Share Option Scheme was 1,746,000 as at 30 June 2025, representing approximately 0.28% of the weighted average number of shares of the Company in issue for the six months ended 30 June 2025.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2025, the following Directors or chief executives of the Company or his associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the “**SFO**”), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”).

Name of Director/ Chief executive	Number of shares held		Number of underlying shares held Personal interest	Total	Approximate percentage of total issued shares
	Personal interest	Corporate interests			
Dr. Liu Ruopeng (“ Dr. Liu ”)	–	83,299,064 (L) (note 2)	–	83,299,064 (L)	13.53%
Dr. Liu Weiwen (“ Dr. Liu W ”)	–	–	120,000 (L) (note 3)	120,000 (L)	0.019%

Notes:

1. “L” represents long position in shares/underlying shares and “S” represents short position in shares.
2. This represents the interests in 83,299,064 shares of the Company directly held by three companies: (1) 60,786,205 shares held by New Horizon Wireless Technology Limited (“**New Horizon Wireless**”), being a wholly-owned subsidiary of Wireless Connection Innovative Technology Limited, which is owned as to 51% by Shenzhen Dapeng Kuang-Chi Investment Consulting Co., Ltd. and as to 49% by Shenzhen Kuang-Chi Hezhong Technology Limited, of which Dr. Liu is the controlling shareholder of both Shenzhen Kuang-Chi Hezhong Technology Limited and Shenzhen Dapeng Kuang-Chi Investment Consulting Co., Ltd.; (2) 22,462,859 shares held by New Horizon Wireless Communication Limited (“**New Horizon Communication**”), being a wholly-owned subsidiary of Innovative Power Group Limited, which is wholly owned by Shenzhen Dapeng Kuang-Chi Investment Consulting Co., Ltd., of which Dr. Liu is the controlling shareholder; and (3) 50,000 Shares held by Sky Asia Holdings Limited (“**Sky Asia**”), being a wholly-owned subsidiary of Shenzhen KuangChiYoulu Technology Co., Ltd, which is wholly owned by Shenzhen Kuang-Chi Hezhong Technology Limited, and as mentioned above, Dr. Liu is the controlling shareholder. Accordingly, Dr. Liu is deemed to be interested in the same number of shares of the Company held by New Horizon Wireless, New Horizon Communication and Sky Asia respectively within the meaning of Part XV of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

3. This represents interests in the share options of the Company held by Dr. Liu W.
4. As of 30 June 2025, the issued shares of the Company were 615,692,886.

Save as disclosed above, as at 30 June 2025, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates 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) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2025, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Substantial Shareholder	Capacity	Number of shares held	Approximate percentage of total issued shares
Freedom Bless Limited (note 2)	Beneficial owner	178,550,936 (L)	28.99%
Lam Ka Yan (note 5)	Interest of controlled corporation	178,550,936 (L)	28.99%
Ms. Huang Weizi	Interest of spouse	83,299,064 (L) (note 3)	13.53%
New Horizon Wireless	Beneficial owner	60,786,205 (L)	9.87%
Wireless Connection Innovative Technology Limited	Interest of controlled corporation	60,786,205 (L)	9.87%
New Horizon Communication	Beneficial owner	22,462,859 (L)	3.65%
Innovative Power Group Limited	Interest of controlled corporation	22,462,859 (L)	3.65%
深圳光啟合眾科技有限公司 (*Shenzhen Kuang-Chi Hezhong Technology Limited)	Interest of controlled corporation	60,836,205 (L)	9.88%
深圳大鵬光啟投資諮詢有限責任公司 (*Shenzhen Dapeng Kuang-Chi Investment Consulting Co., Ltd.)	Interest of controlled corporation	83,249,064 (L)	13.52%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

Name of Substantial Shareholder	Capacity	Number of shares held	Approximate percentage of total issued shares
Central Faith International Ltd.	Beneficial owner and Interest of controlled corporation	97,298,101 (L)	15.80%
World Treasure Global Limited (note 4)	Beneficial owner	61,898,101 (L)	10.05%
Ye Cheng (note 5)	Interest of controlled corporation	34,747,198 (L)	5.64%

* For identification purpose only

Notes:

1. "L" represents long position in shares/underlying shares and "S" represents short position in shares.
2. Freedom Bless Limited is wholly owned by Lam Ka Yan.
3. This represents the interest in the shares of the Company held by (i) New Horizon Wireless; (ii) New Horizon Communication; and (iii) Sky Asia. Ms. Huang Weizi ("**Ms. Huang**"), being the spouse of Dr. Liu, is deemed to be interested in the same number of shares held by (i) New Horizon Wireless; (ii) New Horizon Communication; and (iii) Sky Asia.
4. World Treasure Global Limited is a wholly owned subsidiary of Central Faith International Ltd.
5. Based on the disclosure of interests' forms submitted by the substantial shareholders respectively as of 30 June 2025.
6. As of 30 June 2025, the issued shares of the Company were 615,692,886.

Save as disclosed above, as at 30 June 2025, the Company was not aware of any other person (other than the Directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The board (the “**Board**”) of Directors acknowledges the importance of a high standard of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders’ value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all shareholders.

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry procedures by the Company, that they had complied with the requirements as set out in the Model Code throughout the Period.

CHANGE OF DIRECTORS’ INFORMATION

During the six months ended 30 June 2025 and up to the date of this report, there has been no changes to the information of Directors and chief executives of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

Save as disclosed in Note 18 to the interim condensed consolidated financial information, the Group had no other major litigation or arbitration proceedings during the Period.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Save as disclosed in this report, the Group had no significant investment, disposals and acquisition of subsidiaries, associates or joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors confirmed that as at the date of this report, there are no current plans to acquire any material investment or capital assets.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the interim results of the Group for the six months ended 30 June 2025. The Audit Committee is satisfied with the review and the Board is also satisfied with the Audit Committee's report.

On behalf of the Board
KuangChi Science Limited
Dr. Zhang Yangyang
Chairman and Executive Director

Hong Kong, 29 August 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Notes	Six months ended 30 June	
		2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
Revenue	6	33,656	32,028
Cost of sales		(24,750)	(24,489)
Gross profit		8,906	7,539
Other income	7	1,495	1,534
Other gains, net	8	3,791	12,247
Impairment loss on trade receivables		(3,152)	(4,887)
Reversal of impairment loss on contract assets		–	450
Selling and distribution expenses		(639)	(1,666)
Research and development expenses		(3,076)	(3,904)
Administrative expenses		(11,829)	(14,116)
Operating loss	9	(4,504)	(2,803)
Finance income		7,195	5,292
Finance costs		(9)	(147)
Finance income, net		7,186	5,145
Share of losses of an associate		(703)	–
Profit before tax		1,979	2,342
Income tax expense	10	(158)	(7,568)
Profit/(loss) for the period		1,821	(5,226)
Profit/(loss) for the period attributable to:			
Owners of the Company		1,821	(5,226)
		1,821	(5,226)
Earnings/(loss) per share			
Basic (HK cents per share)	12	0.30	(0.85)
Diluted (HK cents per share)	12	0.30	(0.85)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) for the period	1,821	(5,226)
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	87,537	(34,210)
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	(325,836)	105,395
Other comprehensive (loss)/income, net of tax	(238,299)	71,185
Total comprehensive (loss)/income for the period	(236,478)	65,959
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(236,478)	65,959
	(236,478)	65,959

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

		30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
	Notes		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	471,183	448,855
Investment properties	14	105,208	104,048
Right-of-use assets	15	65,872	64,714
Intangible assets	16	1	3
Financial assets at fair value through other comprehensive income	17	1,959,820	2,264,752
Investment in an associate		49,290	48,332
Total non-current assets		2,651,374	2,930,704
CURRENT ASSETS			
Inventories		20,630	16,692
Contract assets		2,572	6,577
Trade and other receivables	18	186,805	94,257
Financial assets at fair value through profit or loss	19	5,484	5,301
Loan receivables	20	—	—
Pledged bank deposits		870	841
Bank and cash balances		77,764	147,259
Total current assets		294,125	270,927
Total assets		2,945,499	3,201,631

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

	Notes	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
EQUITY			
Share capital	21	61,569	61,569
Other reserves	22	3,141,756	3,380,055
Accumulated losses		(712,421)	(714,242)
Total equity		2,490,904	2,727,382
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank borrowings	23	84,919	69,291
Deferred tax liabilities		263,134	309,905
Total non-current liabilities		348,053	379,196
CURRENT LIABILITIES			
Trade and other payables	24	73,125	66,928
Contract liabilities		291	42
Deferred government grants		7,119	6,881
Current tax payable		–	–
Bank borrowings	23	26,007	21,202
Total current liabilities		106,542	95,053
Total liabilities		454,595	474,249
Total equity and liabilities		2,945,499	3,201,631

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Share capital HK\$'000 (Note 21)	Other reserves HK\$'000 (Note 22)	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2025	61,569	3,380,055	(714,242)	2,727,382
Profit for the period	–	–	1,821	1,821
Other comprehensive income/(loss) for the period:				
– Currency translation differences	–	87,537	–	87,537
– Changes in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	–	(325,836)	–	(325,836)
Total comprehensive income/(loss) for the period	–	(238,299)	1,821	(236,478)
At 30 June 2025 (unaudited)	61,569	3,141,756	(712,421)	2,490,904

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Share capital HK\$'000 (Note 21)	Other reserves HK\$'000 (Note 22)	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	61,569	2,099,093	(666,815)	1,493,847
Loss for the period	–	–	(5,226)	(5,226)
Other comprehensive income/(loss) for the period:				
– Currency translation differences	–	(34,210)	–	(34,210)
– Changes in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	–	105,395	–	105,395
Total comprehensive income/(loss) for the period	–	71,185	(5,226)	65,959
– Recognition of share-based payments	–	75	–	75
At 30 June 2024 (unaudited)	61,569	2,170,353	(672,041)	1,559,881

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
NET CASH USED IN OPERATING ACTIVITIES	(87,790)	(95,545)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(7,118)	(5,166)
Interest received	7,186	5,292
Proceeds from disposal of plant and equipment	–	16
Payment for acquiring investment property	–	(18,933)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	68	(18,791)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceed from bank borrowings	30,000	–
Repayment of bank borrowings	(14,227)	(10,000)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	15,773	(10,000)
NET DECREASE IN BANK AND CASH BALANCES	(71,949)	(124,336)
BANK AND CASH BALANCES AT THE BEGINNING OF THE PERIOD	147,259	258,065
Effect of foreign exchange rate changes	2,454	(822)
BANK AND CASH BALANCES AT THE END OF THE PERIOD	77,764	132,907
ANALYSIS OF BANK AND CASH BALANCES		
Cash and cash equivalents	77,764	18,957
Time deposits with maturity over three months	–	113,950
	77,764	132,907

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

1 GENERAL INFORMATION

KuangChi Science Limited (the “Company”) is a limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is located at Unit 1104, 11/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together the “Group”) are research, development and manufacturing of innovative products for future technology business and provision of other innovative technology service solution.

The interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The interim condensed consolidated financial information has been approved for issue by the Board on 29 August 2025. The interim condensed consolidated financial information has not been audited or reviewed by the external auditor.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2025 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

This interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2024, which have been prepared in accordance with HKFRS Accounting Standards issued by HKICPA. HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

The interim condensed consolidated financial information has been prepared on the historical cost basis, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are measured at fair values.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than changes in accounting policies resulting from application of new and amendments to HKFRS Accounting Standards, the accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended 30 June 2025 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2024.

(a) New and amended standards adopted by the Group

In the period, the Group has applied the following new standards and amendments to HKFRS Accounting Standards for the first time for their reporting period commencing 1 January 2025:

Amendments to HKAS 21	Lack of Exchangeability
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The adoption of these amendments to standards did not result in a significant impact on the Group’s financial position and results.

(b) Impact of standards issued but not yet applied by the Group

The following new standards and amendment to standards and interpretations have been issued but are not mandatory for the financial period beginning 1 January 2025 and have not been early adopted:

Amendments to HKFRS 7 and 9	Classification and Measurement of Financial Instruments ⁽¹⁾
Amendments to HKFRS 18	Presentation and Disclosure in Financial Statements ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 January 2026.
⁽²⁾ Effective for the Group for annual period beginning on 1 January 2027.
⁽³⁾ Effective date to be determined.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(b) Impact of standards issued but not yet applied by the Group

(Continued)

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2025, on the operations of the Group, and is yet to be in the position to conclude the impact.

There are no other HKFRS Accounting Standards that are effective for the first time for this period that could be expected to have a material impact on the Group.

4 ESTIMATES

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The activities of the Group expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2024.

5.2 Fair value estimation

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows the underneath table.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the financial assets and financial liabilities of the Group which are measured and recognised at fair value at 30 June 2025 and 31 December 2024 on a recurring basis:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2025				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity security	1,959,820	–	–	1,959,820
Financial assets at fair value through profit or loss				
– Unlisted equity securities	–	–	5,484	5,484
	1,959,820	–	5,484	1,965,304
At 31 December 2024				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity security	2,264,752	–	–	2,264,752
Financial assets at fair value through profit or loss				
– Unlisted equity securities	–	–	5,301	5,301
	2,264,752	–	5,301	2,270,053

The policy of the Group is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation processes

The finance department of the Group includes a team that performs the valuation of financial asset required for financial reporting purposes, including Level 3 fair values. This team reports directly to the Chief Financial Officer (“CFO”) and the Audit Committee (“AC”). Discussion of valuation processes and results are held between the CFO, AC and the valuation team.

6 REVENUE AND SEGMENT INFORMATION

The financial information provided to the chief operating decision-maker (“CODM”) does not contain profit or loss information of each product line or each market segment and the CODM review the operating results of the Group on a consolidated basis. Therefore, the operation of the Group constitutes one single reportable segment and no further analysis of segments is presented.

(a) **An analysis of the Group’s revenue for the period is as follows:**

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$’000	HK\$’000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sale of artificial intelligent coverage system and related products	–	2,506
– Sale of wearable smart helmets	874	256
– Sale of metal component products	32,782	29,266
	33,656	32,028

(b) **Geographical information**

The Group operates in two principal geographical areas – the PRC and Hong Kong.

Information about the revenue from operations of the Group from external customers is presented based on the location of the goods or services delivered. Information about the non-current assets of the Group is presented based on the geographical locations of the assets.

	Revenue from external customers		Non-current assets*	
	Six months ended 30 June		30 June	31 December
	2025	2024	2025	2024
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(audited)
PRC	33,656	32,028	691,554	665,952

* Non-current assets exclude financial assets at fair value through other comprehensive income.

7 OTHER INCOME

	Unaudited Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Government grants	32	39
Rental income from investment properties	874	927
Sundry income	589	568
	1,495	1,534

8 OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Exchange gains, net	692	453
Gain on disposal of investment property	–	11,809
Gain on deregistration of a subsidiary	3,099	–
Written off of property, plant and equipment	–	(15)
	3,791	12,247

9 OPERATING LOSS

Operating loss has been arrived at after charging/(crediting):

	Unaudited Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Cost of sales	24,750	24,489
Salaries, wages and other benefits	7,432	7,368
Amortisation of intangible assets	3	62
Depreciation of property, plant and equipment	450	7
Amortisation of right-of-use assets	1,063	1,066
Directors' emoluments	854	500
Operating lease expenses relating to short-term leases	79	75
Impairment loss on trade receivables	3,152	4,887
Reversal of impairment loss on contract assets	–	(450)

10 INCOME TAX EXPENSE

	Notes	Unaudited Six months ended 30 June	
		2025 HK\$'000	2024 HK\$'000
Current income tax expenses			
Hong Kong profits tax	(i)	—	—
PRC Corporate Income Tax	(ii)	158	7,568
		158	7,568

Notes:

- (i) During the six months ended 30 June 2025 and 2024, Hong Kong profits tax is calculated at the rate of 16.5% on the estimated assessable profit for each reporting period. No Hong Kong profits tax has been provided for the six months ended 30 June 2025 and 2024 as the Group has no assessable profits derived in Hong Kong.
- (ii) The PRC Corporate Income Tax represents taxation charged on assessable profits for the period at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The tax rate applicable to subsidiaries in the PRC is 25% (2024: 25%), except for the PRC subsidiaries established in Qianhai and a PRC subsidiary that was approved as High and New Technology Enterprise which are subject to PRC Corporate Income Tax at a rate of 15% for 3 years from 2022 to 2025 (2024: 15%).

11 DIVIDEND

No dividend was paid, declared or proposed by the Company during the six months ended 30 June 2025 and 2024.

12 EARNINGS/(LOSS) PER SHARE

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

	Unaudited Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Earnings/(loss) for the purpose of computing basic and diluted earnings/(loss) per share	1,821	(5,226)

	Unaudited Six months ended 30 June	
	2025	2024
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of computing basic earnings/(loss) per share and adjusted for share consolidation in January 2024	615,693	615,693
Effect of dilutive potential ordinary shares: – Share options of the Company	–	–
Weighted average number of ordinary shares for the purpose of computing diluted earnings/(loss) per share and adjusted for share consolidation	615,693	615,693

For the six months ended 30 June 2025 and 2024, the computation of diluted earnings/(loss) per share does not assume the exercise of the outstanding share options issued because the exercise price of these options was higher than the average market price of the Company's shares.

13 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK\$'000	Furniture and fixture HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST						
At 1 January 2024	4,363	205	5,809	2,022	443,079	455,478
Additions	6,360	–	133	–	14,364	20,857
Disposal/written-off	(143)	–	(186)	(18)	–	(347)
Currency translation differences	(273)	(5)	(190)	29	(14,892)	(15,331)
At 31 December 2024	10,307	200	5,566	2,033	442,551	460,657
Additions	227	–	–	987	5,904	7,118
Written-off	–	(46)	(807)	–	–	(853)
Currency translation differences	361	5	173	64	15,429	16,032
At 30 June 2025	10,895	159	4,932	3,084	463,884	482,954
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2024	4,352	205	5,789	2,008	–	12,354
Depreciation	49	–	21	–	–	70
Disposal/written-off	(136)	–	(177)	(4)	–	(317)
Currency translation differences	(142)	(5)	(187)	29	–	(305)
At 31 December 2024	4,123	200	5,446	2,033	–	11,802
Depreciation	345	–	23	82	–	450
Written-off	–	(46)	(807)	–	–	(853)
Currency translation differences	149	5	171	47	–	372
At 30 June 2025	4,617	159	4,833	2,162	–	11,771
CARRYING AMOUNTS						
At 30 June 2025	6,278	–	99	922	463,884	471,183
At 31 December 2024	6,184	–	120	–	442,551	448,855

14 INVESTMENT PROPERTIES

The Group leases out properties under operating leases with rentals payable monthly. The leases typically run for an initial period of one year.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
COST		
At 1 January	118,988	72,558
Addition	–	48,820
Currency translation differences	4,120	(2,390)
At 30 June/31 December	123,108	118,988
ACCUMULATED DEPRECIATION		
At 1 January	14,940	10,749
Charge for the period/year	2,399	4,641
Currency translation differences	561	(450)
At 30 June/31 December	17,900	14,940
CARRYING AMOUNTS		
At 30 June/31 December	105,208	104,048

The investment properties are held under leases by the Group as a right-of-use asset to earn rentals.

15 LEASES

(a) Right-of-use assets

	Leasehold land HK\$'000	Total HK\$'000
Balance as at 1 January 2025	64,714	64,714
Amortisation charge	(1,063)	(1,063)
Exchange translation	2,221	2,221
Balance as at 30 June 2025 (unaudited)	65,872	65,872

(b) Amounts recognised in the condensed consolidated statement of profit or loss

	Unaudited Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Amortisation of right-of-use assets	1,063	1,066
Interest on lease liabilities	—	—
Expense relating to short-term leases	79	75
	1,142	1,141

16 INTANGIBLE ASSETS

	Technical knowhow and patents HK\$'000
COST	
At 1 January 2024	15,160
Currency translation differences	(499)
At 31 December 2024 and 1 January 2025	14,661
Currency translation differences	508
At 30 June 2025	15,169
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2024	15,091
Amortisation	65
Currency translation differences	(498)
At 31 December 2024 and 1 January 2025	14,658
Amortisation	3
Currency translation differences	507
At 30 June 2025	15,168
CARRYING AMOUNTS	
At 30 June 2025	1
At 31 December 2024	3

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
Listed security:		
– Equity security (note)	1,959,820	2,264,752

Note: As at 30 June 2025, the Group hold 44,693,660 (31 December 2024: 44,693,660) ordinary shares of Kuang-Chi Technologies Co., Ltd. ("KCT"), representing 2.07% (31 December 2024: 2.07%) of the issued ordinary shares of KCT. Dr. Liu Ruopeng is the controlling shareholder of Shenzhen Kuang-Chi Hezhong Technology Limited and holds more than 5% shareholding of KCT. KCT is a company listed on the Shenzhen Stock Exchange. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors of the Company have elected to designate these investments in financial assets at FVOCI as they believe that recognising short-term fluctuations in these investments in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

18 TRADE AND OTHER RECEIVABLES

		Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
	Notes		
Trade receivables		53,655	77,635
Less: allowance for expected credit loss	(b)	(16,634)	(12,975)
Trade receivables, net	(a), (d)	37,021	64,660
Deposits and other receivables	(d)	1,275	1,414
Other deposit paid	(c)	118,760	—
Consideration receivable		8	8
Prepayment		13,690	11,086
Value-added tax and other tax recoverable		16,051	17,089
		186,805	94,257

Notes:

- (a) The following is an ageing analysis of trade receivables presented based on date of revenue recognition and net of allowance as at 30 June 2025 and 31 December 2024:

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
0 to 90 days	21,896	40,459
91 to 180 days	1,263	—
181 to 365 days	2,186	13,431
1 to 2 years	10,822	8,454
Over 2 years	854	2,316
	37,021	64,660

18 TRADE AND OTHER RECEIVABLES (Continued)

- (b) Movements in the loss allowance account for the trade receivables and contract assets are as follows:

	Trade receivables HK\$'000	Contract assets HK\$'000	Total HK\$'000
At 1 January 2024	59,164	10,762	69,926
Provision for impairment loss	6,507	(349)	6,158
Bad debt written off	(51,690)	(10,110)	(61,800)
Currency translation differences	(1,006)	(137)	(1,143)
At 31 December 2024 and 1 January 2025	12,975	166	13,141
Provision for impairment loss	3,152	–	3,152
Currency translation differences	507	6	513
At 30 June 2025	16,634	172	16,806

- (c) In 2022, a subsidiary of the Group commenced litigation against a customer of a discontinued operation “Cloud” business for default payment of a sales contract in 2016 amounting to RMB46.5 million. At the same time, a claim of RMB103.5 million plus compensation was lodged against the subsidiary in relation to alleged non-performance under the sales contract by the customer asserting that the subsidiary had breached certain terms of the sales contract.

In 2023, the court decisions awarded in favor of the subsidiary, the customer is liable to repay the subsidiary of RMB44.0 million. After that, the customer has proceeded with an appeal.

In November 2024, an unfavourable second-instance judgement was handed down against the subsidiary in respect of the appeal made by the customer. During the six months ended 30 June 2025, a court order was enforced against the subsidiary, resulting in payments together with accrued interest of approximately RMB108.3 million and such payments were recorded as other deposit paid in the condensed consolidated statement of financial position as at 30 June 2025. After consulting appropriate legal advices, the Directors have decided to final appeal against the decision. The High People’s Court of Guangdong Province has acknowledged the application of appeal and a hearing was held during the six months ended 30 June 2025. However, the final ruling is still pending as at 30 June 2025.

Based on the expert advice of a PRC legal counsel and the current status of the appeal proceeding, the Directors are of the view that it is not probable the final outcome of the appeal proceeding will result in a material adverse impact on the financial position and performance of the Group and conclude that no provision shall therefore be made on the other deposit paid. However, given the nature of the appeal proceeding, it would be impossible to predict the outcome of the appeal proceeding with a sufficient degree of certainty.

- (d) The carrying amounts of the Group’s trade receivables are all denominated in RMB, while the carrying amounts of the Group’s deposits and other receivables are mainly denominated in RMB.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
Equity securities:		
Unlisted outside Hong Kong	5,484	5,301

The carrying amounts of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9. The fair values of listed equity securities are based on current bid prices.

During the year ended 31 December 2023, the Group invested in an unlisted entity at a cash consideration of RMB5,000,000, with a buy-back clause stipulating that the seller will repurchase the shares held by the Group if the investee fails to meet the revenue target by 10 May 2024.

As at 30 June 2025, the investee failed to meet the above revenue target. The Group is currently liaising the buy-back arrangement with the investee.

20 LOAN RECEIVABLES

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
Loan to a third party	2,368	2,368
Less: provision for impairment of loan receivables	(2,368)	(2,368)
	—	—

As at 30 June 2025 and 31 December 2024, the balance represented a loan to Beyond Verbal of HK\$2,368,000, which is unsecured, bearing interest at 6% per annum and mature on 31 March 2018. The loan was fully impaired in 2017 as management considered the recoverability of the loan is remote. No repayment was made by Beyond Verbal during the period.

21 SHARE CAPITAL

Ordinary shares	30 June 2025		31 December 2024	
	Number of shares	Equivalent to HK\$'000	Number of shares	Equivalent to HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each at 31 December 2024 and 30 June 2025	731,666,666	73,167	731,666,666	73,167
Issued and fully paid:				
Ordinary shares of HK\$0.1 each at 31 December 2024 and 30 June 2025	615,692,886	61,569	615,692,886	61,569

Note:

Pursuant to the special general meeting held by the Company on 29 January 2024, an ordinary resolution was passed to approve the Share Consolidation where every ten (10) issued and unissued ordinary shares with a par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share with a par value of HK\$0.10 each. The Share Consolidation took effect on 31 January 2024. Details please refer to the Company's announcements dated 21 December 2023 and 29 January 2024, and circular dated 12 January 2024.

22 OTHER RESERVES

	Share premium HK\$'000	Financial assets at FVOCI reserve HK\$'000	Capital reserve HK\$'000 (Note a)	Contributed surplus HK\$'000 (Note b)	Share-based payment reserve HK\$'000 (Note c)	Exchange translation HK\$'000	Total HK\$'000
At 1 January 2025	2,339,550	1,157,263	17,900	103,941	1,916	(240,515)	3,380,055
Currency translation differences	-	-	-	-	-	87,537	87,537
Fair value changes of financial assets at FVOCI, net of deferred tax	-	(325,836)	-	-	-	-	(325,836)
Other comprehensive income/(loss) for the period	-	(325,836)	-	-	-	87,537	(238,299)
At 30 June 2025 (unaudited)	2,339,550	831,427	17,900	103,941	1,916	(152,978)	3,141,756

22 OTHER RESERVES (Continued)

	Share premium HK\$'000	Financial assets at FVOCI reserve HK\$'000	Capital reserve HK\$'000 (Note a)	Contributed surplus HK\$'000 (Note b)	Share-based payment reserve HK\$'000 (Note c)	Exchange translation HK\$'000	Total HK\$'000
At 1 January 2024	2,339,350	(172,544)	17,900	103,941	1,909	(191,663)	2,099,093
Currency translation differences	-	-	-	-	-	(34,210)	(34,210)
Fair value changes of financial assets at FVOCI, net of deferred tax	-	105,395	-	-	-	-	105,395
Other comprehensive income/(loss) for the period	-	105,395	-	-	-	(34,210)	71,185
Recognition of share-based payments	-	-	-	-	75	-	75
At 30 June 2024 (unaudited)	2,339,350	(67,149)	17,900	103,941	1,984	(225,873)	2,170,353

Notes:

- (a) The balance of capital reserve represents the capital reserve arising from the Group's restructuring which took place in 1992.
- (b) The balance of contributed surplus arose as a result of the Company's capital reduction exercises which took place in the financial years of 2003 and 2006.
- (c) The balance of share-based payment reserve represents share options granted on 22 April 2021.

23 BANK BORROWINGS

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
Bank borrowings		
– Within 1 year	26,007	21,202
– Between 1 and 2 years	26,007	23,097
– Between 2 and 5 years	58,912	46,194
Total bank borrowings	110,926	90,493

Bank borrowings were obtained for the purposes of working capital and construction in progress.

As at 30 June 2025, the bank borrowings carried interest of approximately 3.20% to 6.90% p.a. (31 December 2024: 5.90% to 6.90% p.a.) which were secured by the right-of-use assets and the construction-in-progress, amounting to HK\$65,872,000 (31 December 2024: HK\$64,714,000) and HK\$463,884,000 (31 December 2024: HK\$442,551,000) respectively, and were guaranteed by the Company and a company which is controlled by Dr. Liu Ruopeng.

As at 30 June 2025 and 31 December 2024, the carrying amounts of bank borrowings are all denominated in RMB.

24 TRADE AND OTHER PAYABLES

	Notes	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
Trade payables	(a),(b)	42,963	36,853
Accrued employee benefits		2,002	4,462
Value-added tax and other tax payable		4,913	3,209
Other payables and accruals		9,278	8,902
Accrued construction costs		13,969	13,502
		73,125	66,928

24 TRADE AND OTHER PAYABLES (Continued)

- (a) The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period.

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
0 – 90 days	10,402	8,926
91-365 days	5,557	1,037
Over 1 year	27,004	26,890
	42,963	36,853

- (b) The carrying amounts of the Group's trade payables are all denominated in RMB, while the carrying amounts of the Group's other payables and accruals are mainly denominated in RMB.

25 SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 31 July 2012, a share option scheme (the "Scheme") was adopted by the Company. The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employee or director of the Company or any adviser, consultant, agent, contractor, customers and supplier of any member of the Group or whom the Board in its sole discretion considers eligible for the Scheme on the basis of his or her contribution to the Group.

On 22 April 2021, a total of 27,000,000 share options under the Scheme were granted (the "Share Options"). The exercise price was HK\$0.229. The details of the Share Options are summarised as follows:

	% of the total shares	Share Options Vesting period	Exercisable period
Tranche 1	33%	22 April 2021 to 22 April 2022	22 April 2022 to 21 April 2026
Tranche 2	33%	22 April 2021 to 22 April 2023	22 April 2023 to 21 April 2026
Tranche 3	34%	22 April 2021 to 22 April 2024	22 April 2024 to 21 April 2026

25 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

	Share Option
Recognised as expenses for the six months period ended 30 June 2021 (HK\$)	309,000
Number of Share Options granted to employees of the Company	27,000,000
Exercise price (HK\$)	0.229
Grant date	22 April 2021
Fair value on grant date (HK\$)	2,808,000

The following table lists the inputs to the fair value as at 22 April 2021 of the Share Options:

	Share Options
Share price at the date of grant (HK\$)	0.229
Exercise price (HK\$)	0.229
Expected volatility	71%
Expected life (no. of years)	5
Risk-free interest rate	0.602%
Exercise multiple	1.6
Expected dividend yield	Nil

Pursuant to the special general meeting held by the Company on 29 January 2024, an ordinary resolution was passed to approve the Share Consolidation where every ten (10) issued and unissued ordinary shares with a par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share with a par value of HK\$0.10 each. The Share Consolidation took effect on 31 January 2024. Details please refer to the Company's announcements dated 21 December 2023 and 29 January 2024, and circular dated 12 January 2024.

25 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by employees during the period:

	Number of share options	30 June 2025 weighted average exercise price (HK\$)
Outstanding at 1 January 2025	1,746,000	2.290
Lapsed during the period	—	N/A
Outstanding at 30 June 2025	1,746,000	2.290

The Group recognised an expense of approximately HK\$nil for the six months period ended 30 June 2025 in relation to Share Options granted by the Company.

During the six months ended 30 June 2025, no share option was granted, exercised or cancelled (2024: Nil).

26 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
Contracted for Property, plant and equipment	44,769	50,853
	44,769	50,853

27 RELATED PARTY TRANSACTIONS

(a) Related party balances

	Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
Trade receivables		
– 佛山順德光啟尖端裝備有限公司 (「佛山順德光啟」)(Note (i))	19,556	45,540
Contract assets		
– 佛山順德光啟	2,572	6,743

(b) Related party transactions

Name of parties	Nature of transactions	Unaudited Six months ended 30 June	
		2025 HK\$'000	2024 HK\$'000
佛山順德光啟	Purchase of materials	1,044	–
佛山順德光啟	Sale of artificial intelligent system and related product	–	2,506
佛山順德光啟	Sale of metal component products	32,782	29,266
佛山順德光啟	Lease of property	–	187

27 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

Note:

- (i) The Director and controlling shareholder of the Company, Dr. Liu Ruopeng, is a controlling shareholder of 佛山順德光啟. The above transactions were conducted in the normal course of the business of the Company and charged at terms mutually agreed by the parties concerned or in accordance with the terms of the underlying agreements, where appropriate.
- (ii) As at 30 June 2025, a company which is controlled by Dr. Liu Ruopeng provided a guarantee to a bank for the Group's banking facilities amounted to HK\$310,329,000 (31 December 2024: HK\$299,945,000), of which HK\$78,022,000 (31 December 2024: HK\$90,493,000) were utilised as at 30 June 2025.

Saved as disclosed above and elsewhere in the interim condensed consolidated financial information, there was no other related party transaction during the periods ended 30 June 2025 and 2024.

28 SUBSEQUENT EVENT

Save as disclosed above and elsewhere in this interim condensed consolidated financial information, there were no other material events occurred after the period ended 30 June 2025.