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LEADWAY TECH

高維科技

Leadway Technology Investment Group Limited

高維科技投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2086)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2025

HIGHLIGHTS

- For the six months ended 30 June 2025, revenue of the Group decreased by 14% to HK\$40.9 million (six months ended 30 June 2024: HK\$47.2 million).
- For the six months ended 30 June 2025, loss for the period of the Group was HK\$5.2 million (six months ended 30 June 2024: profit of HK\$2.1 million).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025.

RESULTS

The board of directors (the “Board”) of Leadway Technology Investment Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2025 together with the comparative unaudited figures for the corresponding period in 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2025 – unaudited**(Expressed in Hong Kong dollars)*

		Unaudited	
		six months ended 30 June	
	<i>Note</i>	2025	2024
		\$'000	\$'000
Revenue	3	40,829	47,210
Cost of sales		<u>(18,646)</u>	<u>(22,649)</u>
Gross profit		22,183	24,561
Other income		499	434
Selling and distribution costs		(5,535)	(4,049)
Research and development expenses		(6,169)	(6,763)
Administrative expenses		<u>(16,017)</u>	<u>(11,899)</u>
(Loss)/profit from operations		(5,039)	2,284
Finance costs	4(a)	<u>(159)</u>	<u>(179)</u>
(Loss)/profit before tax	4	(5,198)	2,105
Income tax	5	<u>–</u>	<u>–</u>
(Loss)/profit for the period attributable to the equity shareholders of the Company		<u>(5,198)</u>	<u>2,105</u>
(Losses)/earnings per share	6		
Basic		(1.627) cents	0.659 cents
Diluted		<u>(1.627) cents</u>	<u>0.659 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025 – unaudited

(Expressed in Hong Kong dollars)

	Unaudited	
	six months ended 30 June	
	2025	2024
	\$'000	\$'000
(Loss)/profit for the period	(5,198)	2,105
Other comprehensive income/(expense) for the period (after tax)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	<u>491</u>	<u>(675)</u>
Total comprehensive (expense)/income for the period	<u>(4,707)</u>	<u>1,430</u>
Attributable to:		
Equity shareholders of the Company	<u>(4,707)</u>	<u>1,430</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025 – unaudited

(Expressed in Hong Kong dollars)

		Unaudited	Audited
		30 June	31 December
	<i>Note</i>	2025	2024
		\$'000	\$'000
Non-current assets			
Property, plant and equipment		6,968	8,837
Intangible assets		8,408	8,170
		15,376	17,007
Current assets			
Inventories		23,996	25,047
Trade and other receivables	7	25,648	25,596
Other financial assets		98	93
Current tax recoverable		498	477
Cash and cash equivalents		13,244	25,712
		63,484	76,925
Current liabilities			
Trade and other payables	8	16,750	25,063
Lease liabilities		3,759	4,003
		20,509	29,066
Net current assets		42,975	47,859
Total assets less current liabilities		58,351	64,866
Non-current liabilities			
Lease liabilities		1,287	3,095
		1,287	3,095
NET ASSETS		57,064	61,771
CAPITAL AND RESERVES			
Share capital		31,956	31,956
Reserves		25,108	29,815
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		57,064	61,771

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim financial report is unaudited but has been reviewed by the audit committee of the Company and it was authorised for issue on 26 August 2025.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains 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 2024 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The financial information relating to the financial year ended 31 December 2024 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are the development, sales and distribution of smart card products, software and hardware and provision of related services.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

	Unaudited	
	Six months ended 30 June	
	2025	2024
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by timing of revenue recognition		
– Point in time	40,829	47,128
– Over time	–	82
	40,829	47,210

(b) Segment reporting

The Group's management assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services. The management considers there is only one operating segment and, accordingly, no operating segment information is presented.

The following table sets out information about the geographic area of the Group's revenue from external customers. The geographic area of customers is based on the location at which the services were rendered or the control over the goods are transferred to customers.

	Unaudited	
	Six months ended 30 June	
	2025	2024
	\$'000	\$'000
Revenue from external customers		
Disaggregated by geographical location of customers		
– Europe	20,239	26,911
– Asia Pacific	15,175	12,211
– The Americas	3,701	7,083
– Middle East and Africa	1,714	1,005
	40,829	47,210

4 (LOSS)/PROFIT BEFORE TAX

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

(a) Finance costs

	Unaudited	
	Six months ended 30 June	
	2025	2024
	\$'000	\$'000
Interest on lease liabilities	159	179

(b) Other items

	Unaudited	
	Six months ended 30 June	
	2025	2024
	\$'000	\$'000
Amortisation of intangible assets	908	908
Depreciation		
– owned property, plant and equipment	489	516
– right-of-use assets	1,995	2,177
Government subsidies income*	49	–
Reversal of impairment losses on trade receivables	(1,547)	(63)
Reversal of write down of inventories	–	(82)
Write down of inventories	9	–
Interest income	89	363

* The Group successfully applied for SME Export Marketing Fund from government in Hong Kong of \$49,000 during the six months ended 30 June 2025.

The purpose of the subsidy is to help small and medium size enterprises develop markets outside Hong Kong.

5 INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2025	2024
	\$'000	\$'000
Current tax – Other jurisdictions		
Provision for the year	–	–
Deferred taxation	–	–
Income tax expense	–	–

Notes:

- (i) No provision for Hong Kong Profits Tax has been made in the financial statements for the six months ended 30 June 2025 and 2024 as the Group has sustained losses for taxation purpose.
- (ii) No provision for Philippines Income Tax has been made in the financial statements for the six months ended 30 June 2025 and 2024 as the Group has sustained losses for taxation purpose.
- (iii) No provision for Chinese Mainland Corporate Income Tax has been made in the financial statements for the six months ended 30 June 2025 and 2024 as the Group has sustained losses for taxation purpose.
- (iv) Taxation for other entities is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

6 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on loss attributable to ordinary equity shareholders of the Company of \$5,198,000 (six months ended 30 June 2024: profit \$2,105,000) and the weighted average of 319,565,000 (six months ended 30 June 2024: 319,565,000) ordinary shares in issue for the six months ended 30 June 2025.

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share for the six months ended 30 June 2025 and 2024 are the same as the basic (losses)/earnings per share as there are no dilutive potential ordinary shares.

7 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2025 \$'000	Audited 31 December 2024 \$'000
Trade receivables, net of loss allowance	13,715	15,133
Other receivables	11,933	10,463
	<u>25,648</u>	<u>25,596</u>

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	Unaudited 30 June 2025 \$'000	Audited 31 December 2024 \$'000
Within 1 month	4,898	13,662
1 to 2 months	3,906	1,119
2 to 3 months	1,432	47
3 to 12 months	3,427	305
Over 1 year	52	—
	<u>13,715</u>	<u>15,133</u>

Trade receivables are generally due within 7 days to 3 months from the date of billing.

8 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2025 \$'000	Audited 31 December 2024 \$'000
Trade payables	10,648	15,043
Accruals	3,755	3,223
Receipt in advance from customers	2,347	6,797
	<u>16,750</u>	<u>25,063</u>

As of the end of the reporting period, the ageing of trade payables, based on the invoice date, is as follows:

	Unaudited 30 June 2025 \$'000	Audited 31 December 2024 \$'000
Within 1 month	6,781	13,390
1 to 3 months	2,272	1,537
3 months to 1 year	1,595	116
	<u>10,648</u>	<u>15,043</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the Interim Period was HK\$40.9 million, representing a 14% decrease compared to HK\$47.2 million for the corresponding period in 2024. This decline was primarily driven by several external and internal challenges. The imposition of reciprocal tariffs by the United States (“US”), coupled with ongoing trade conflicts between the US and China, created a more difficult operating environment and adversely affected sales. In addition, the absence of new government tenders in the first half of 2025 further constrained revenue growth. While new products have been introduced, additional time is required for these offerings to gain market traction and generate meaningful contributions to revenue. The revenue decrease reflects the impact of these factors; however, we remain confident that with ongoing product development and anticipated government opportunities, performance will stabilize and improve in the second half of 2025 and beyond.

Gross Profit Margin

Gross profit margin for the Interim Period was 54% compared to 52% for the corresponding period in 2024. This improvement reflects the company’s ability to enhance efficiency and exercise stronger production cost control despite a challenging sales environment. However, the overall gross profit amount decreased to HK\$22.2 million for the Interim Period, compared to HK\$24.6 million in the corresponding period of 2024. The decline in gross profit amount was primarily attributable to lower sales revenue, offsetting the positive impact of the higher margin.

Operating Expenses

Total operating expenses increased by 22%, from HK\$22.7 million for the corresponding period in 2024 to HK\$27.7 million for the Interim Period. This increase is mainly due to a addition in the Group’s headcount, resulting in higher staff costs, and an increase in other operating expenses due to expansion into new markets and diversification of our product portfolio during the Interim Period.

Statement of Financial Position

As of 30 June 2025, the Group’s net assets amounted to HK\$57.1 million (31 December 2024: HK\$61.8 million). The decrease of HK\$4.7 million was due to the net loss of HK\$5.2 million offset by the movement of exchange reserve of HK\$0.5 million during the Interim Period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Interim Period.

BUSINESS REVIEW

As part of our commitment to ongoing innovation and collaboration, the first half of 2025 was marked by the launch of several new products, including the ACR1555U Secure Bluetooth NFC Reader, the AquaGuard IP67 USB NFC Reader, the WalletMate II Mobile Wallet NFC Reader, and the PocketKey+ FIDO Certified USB Security Key with NFC. In the second half of 2025 and beyond, we plan to introduce additional innovative solutions for digital identity and payment market sectors. Customers' feedback on these new offerings has been positive, reinforcing market confidence in our product roadmap and generating anticipation for future releases.

Turning to our participatory events, the first half of 2025 saw our active presence at major exhibitions including IOTE 2025 in Shanghai, Japan IT Week Spring 2025 in Tokyo, Smart IoT Indonesia 2025 in Jakarta and Identiverse 2025 in Las Vegas. In the second half of the year, we are scheduled to participate in IOTE 2025 in Shenzhen and Trustech 2025 in Paris.

Feedback from these exhibitions has been encouraging, with customers recognizing Advanced Card Systems Limited ("ACS"), a wholly-owned subsidiary of the Group, as a strong and reliable supplier in the industry. This recognition further supports the reception of our upcoming product launches.

In the face of intense competition within the industry, the Group continues to strengthen its market position by expanding our product range, enhancing our core offerings, and developing business opportunities in new markets. These measures ensure that we remain agile and responsive to evolving industry dynamics.

Confronting the impact of global challenges such as the post-COVID environment, the Russia-Ukraine conflict, and prolonged trade tensions between China and the US, the Group has implemented targeted strategies. With some European customers deferring purchase plans due to the ongoing conflict and Euro currency fluctuations, we are placing greater focus on the American and Southeast Asian markets to sustain growth momentum. At the same time, we are reviewing our pricing strategies and exploring cost-reduction initiatives to mitigate external pressures and safeguard long-term profitability.

PROSPECTS

In terms of industry recognition, no awards were obtained during the Interim Period. Nevertheless, the Group continues to focus on building its reputation through product innovation and strong customer engagement.

Our marketing and advertising strategy for the second half of 2025 and into 2026 will be characterised by active participation in tradeshow across different regions. This approach is designed to enhance brand visibility, strengthen industry presence, and foster deeper connections with potential customers, thereby stimulating interest in our expanding product portfolio.

While uncertainties remain in the global economic landscape, we maintain a positive outlook for the Group's growth prospects in the second half of 2025 and beyond. We expect that our newly launched and upcoming products will stimulate customer demand and generate new sales revenue.

With respect to our operations in Japan, the office reopened and remains in the development phase. The Group intends to allocate additional resources to support the growth of this regional office and market. The outlook for future development opportunities is positive, and we anticipate gradual improvement in performance as the office continues to mature.

In terms of strategy, the Group will continue to focus on cost control and efficiency improvements to support profitability in the long term. No major changes in management are expected, and our leadership structure remains stable, providing continuity to navigate ongoing challenges and capture new opportunities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times, the Group maintains a healthy liquidity position. As of 30 June 2025, the Group's cash and cash equivalents amounted to HK\$13.2 million (31 December 2024: HK\$25.7 million). The Group's net assets as at 30 June 2025 were HK\$57.1 million (31 December 2024: HK\$61.8 million).

The Group's equity capital and the cash generated from operating activities have been applied to fund its working capital and other operational needs. The Group recorded a net cash outflow in operating activities of HK\$8.7 million (2024: net cash inflow of HK\$6.1 million) for the Interim Period, attributed to the Company's expansion into new markets and diversification of our product portfolio. The Group recorded a net cash outflow in investing activities of HK\$1.7 million (2024: HK\$0.9 million) for the Interim Period due to more purchase of property, plant and equipment during the Interim Period. The Group recorded a net cash outflow in financing activities of HK\$2.2 million (2024: HK\$2.4 million) for the Interim Period, which was due to the capital and interest elements of lease rentals paid.

GEARING RATIO

The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to owners of the Company as of 30 June 2025, was 0% (31 December 2024: 0%).

DISPOSALS AND ACQUISITIONS

During the Interim Period, the Group did not have any material disposals or investments of subsidiaries and affiliated companies.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 30 June 2025, the Group neither has any capital commitment related to the acquisition of property, plant, and equipment, nor any plan authorised by the Board for other substantial investment or additions of capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The assets, liabilities, and transactions of the Group are primarily denominated in Hong Kong dollars, United States dollars, and Renminbi. As Hong Kong dollars are pegged to United States dollars, the exchange risk arising from United States dollars does not have a significant financial impact on the Group. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

PLEDGE OF ASSETS

As of 30 June 2025, the Group did not pledge any of its material assets.

CONTINGENT LIABILITIES

As of 30 June 2025, the Company had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2025, the Group comprised 97 dedicated full-time employees. Staff costs for the Interim Period amounted to HK\$16.9 million. We remain committed to ensuring that our remuneration policies and packages align with each employee's qualifications, performance, and experience, as well as the current industry standards. Furthermore, we continue to invest in the growth of our team, offering various training sessions to bolster their understanding of our products and the market landscape.

CONTINUING CONNECTED TRANSACTION

On 20 August 2024, 龍傑智慧科技(廣東)有限公司 (“ACS Guangdong”) (an indirect wholly-owned subsidiary of the Company) and 廣東中兆實業集團有限公司 (“Zhong Zhao”) is entered into a cooperation agreement (the “Cooperation Agreement”) pursuant to which the parties agreed to collaborate to jointly develop a smart technology project on the premises to promote contactless reader, financial technology and smart living solutions eco-system for a term of three years from 1 September 2024 to 31 August 2027 (both dates inclusive). Pursuant to the Cooperation Agreement, Zhong Zhao shall provide office spaces and venues at the premises for free as requested from time to time by ACS Guangdong for its production and operation. Zhong Zhao shall also provide support to ACS Guangdong on its production operation and business development, including but not limited to, talent recruitment, government preferential policy support, peripheral supporting activities, and resource integration. In return, ACS Guangdong shall pay a service fee to Zhong Zhao on a revenue sharing basis in an amount representing 10% of the operating revenue of ACS Guangdong, payable every three months. ACS Guangdong shall also pay a prepayment in the amount of RMB3,000,000 to Zhong Zhao within five business days after signing of the Cooperation Agreement.

The proposed Annual Cap on the aggregate service fee of the Cooperation Agreement for each of the three years ending 31 August 2027 shall not exceed RMB5,000,000, RMB7,000,000 and RMB9,000,000, respectively. The service fee (on an aggregate basis within 12 months) shall be less than HK\$10,000,000.

As at the date of this interim report, Zhong Zhao is owned as to 90% by Mr. Zhang, one of the ultimate controlling shareholders of the Company and the executive Director. Mr. Zhang is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As such, Zhong Zhao is an associate of a connected person. Accordingly, the transaction contemplated under the Cooperation Agreement constitutes a continuing connected transaction of the Company.

During the period ended 30 June 2025, ACS Guangdong generated revenue of RMB620,000 and paid a service fee of RMB62,000 to Zhong Zhao to be the consideration of transaction during the period (2024: Nil).

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

During the Interim Period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed shares.

CORPORATE GOVERNANCE

During the Interim Period, the Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules (the “CG Code”). The directors of the Company are of the opinion that the Company has complied with the code provisions set out in the CG Code during the Interim Period except the following:

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the appointment of Mr. Zhang Xueqin as the co-chairman and the chief executive officer of the Company on 26 February 2022, the Company has deviated from Code Provision C.2.1 of the CG Code as set out in Appendix C1 of the Listing Rules. However, the Board believes that vesting the roles of both co-chairman and chief executive officer in Mr. Zhang Xueqin has the benefit of ensuring consistent and continuous planning and execution of the Company’s strategies and will enable the Board to function more effectively. It is expected that Mr. Zhang Xueqin will perform the other functions and responsibilities of the chairman under the CG Code. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the Board, with not less than one third of them being independent non-executive directors.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted dealings rules regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry of all directors of the Company, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the Interim Period regarding directors’ securities transactions.

AUDIT COMMITTEE

The audit committee of the Company is primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing the Company's financial controls, internal controls and risk management systems; and reviewing the financial statements of the Company. The audit committee has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2025 and discussed the financial related matters with the management of the Group.

The audit committee currently comprises 4 members, namely Dr. Lin Tat Pang (being the chairman of the audit committee), Mr. Lai Chi Leung, Mr. Zhang Dingfang and Mr. Gu Tianlong.

By order of the Board
Leadway Technology Investment Group Limited
Zhang Xueqin
Chairman

Hong Kong, 26 August 2025

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Zhang Xueqin, Ms. Mai Qiqi, Mr. Chan Chun Leung and Ms. Xu Tingting, two non-executive directors, namely Mr. Mai Ziyue and Mr. Lam Chi Wai, and four independent non-executive directors, namely Dr. Lin Tat Pang, Mr. Lai Chi Leung, Mr. Zhang Dingfang and Mr. Gu Tianlong.