

Jolimark

Jolimark Holdings Limited
映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2028

2024
Interim Report

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Corporate Information

Directors

Executive Directors

Mr. Au Pak Yin (*Chairman*)
Mr. Au Kwok Lun (*Chief Executive Officer*)

Non-Executive Director

Mr. Ou Guo Liang

Independent Non-Executive Directors

Ms. Kan Lai Kuen, Alice
Mr. Sun Po Yuen
Mr. Yeung Kwok Keung

Registered Office

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong

Unit 07, 21 Floor
K. Wah Centre
191 Java Road
North Point
Hong Kong

Company Secretary

Mr. Lai Sai Wo, Ricky

Authorised Representatives

Mr. Au Kwok Lun
Mr. Lai Sai Wo, Ricky

Audit Committee

Ms. Kan Lai Kuen, Alice (*Chairman*)
Mr. Sun Po Yuen
Mr. Yeung Kwok Keung

Remuneration Committee

Mr. Yeung Kwok Keung (*Chairman*)
Mr. Sun Po Yuen
Ms. Kan Lai Kuen, Alice
Mr. Au Kwok Lun

Nomination Committee

Ms. Kan Lai Kuen, Alice (*Chairman*)
Mr. Sun Po Yuen
Mr. Yeung Kwok Keung

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

Legal Adviser to the Company as to Hong Kong Law

Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Bankers

China Construction Bank
Agricultural Bank of China
Nanyang Commercial Bank
Xiamen International Bank
China Guangfa Bank
Shanghai Pudong Development Bank

Stock Code

2028

Website

www.jolimark.com

Management's Discussion and Analysis

Business Review

Printer Business

For the six months ended 30 June 2024, the revenue of the Group derived from the printer business was approximately RMB71,741,000, which accounted for approximately 85% of the total revenue of the Group and represented a decrease of approximately 31% as compared with that of the corresponding period in 2023. The decrease in revenue was mainly attributable to the full implementation of digital e-invoicing in Mainland China in a continuous manner and the lack of sufficient market demand.

Other Products

For the six months ended 30 June 2024, the revenue of the Group derived from the other products business amounted to approximately RMB12,496,000, which accounted for approximately 15% of the total revenue of the Group and represented a decrease of approximately 9% as compared with that of the corresponding period in 2023. The decrease in revenue was mainly attributable to the delayed market launch of medical products in the first half of 2024.

Future Business Outlook

In the first half of 2024, the Company's reported a year-on-year decline in its business given the ongoing promotion of the use of electronic invoices in Mainland China, coupled with diminished retail and commercial activities in the market amidst lacklustre sentiments in the real estate and consumer spending sectors. In the second half of the year, the Company will focus on strengthening the application of dot-matrix printers in the manufacturing industry, e-commerce, logistics, combined document printing, financial vouchers and remote printing managed internally by the trade enterprises and to increase the market development of medical equipment products.

Management's Discussion and Analysis (continued)

Printing Equipment and Printing Solutions

The Company's "PC cloud printer" which came online in 2023 has upgraded the traditional Jolimark printer to a cloud printer through the computer and the cloud environment, a move which is set to enhance the market competitiveness of the Jolimark printers. The Company will shortly launch the "Smart Finance e-Office" series of professional printers for the financial management business, which is capable of identifying the contents of printing with the aid of smart functions and combining the binding mode to change paper of different specifications automatically in different paper feeders. It facilitates professional and standardised printing of account books and evidence in a convenient manner, while providing corporate management systems such as invoice data management, mobile reimbursement management and corporate document printing management to realise multiple functions in one machine and the dual roles of printing and management, thereby significantly enhancing the efficiency of corporate management.

Self-serviced Terminals

Offered in a range of formats, including desk, cabinet, operating platform, desktop and screenless terminals by leveraging the Company's unique core technologies such as red and black dual-colour inkjet printing, cloud printing, 2,000-page paper feed and remote error alert, the Jolimark self-serviced terminal product line has already been successfully adopted in smart government services, medical care, state grid service hall, tax administration halls, welfare lottery centres and postal service.

Big Data and SAAS Cloud Application

By taking advantage of Jolimark's expertise in cloud printing, the Company has developed a variety of SAAS cloud applications. Applications that are already in operation currently include the "E Invoicing (E開單)" app which is specifically tailored for small to medium wholesalers to enable them to print invoices remotely through mini-programs and to facilitate management of store commodities and customers. The "Hassle-free reimbursement" app for financial reimbursement is targeted at small and medium enterprises enabling them to process online reimbursement approvals, print reimbursement bills and invoices remotely and conduct verification and duplication checks on invoices. In addition, the "Jolimark Cloud Printing" platform provides shared paid printing and advertising functions, while "Digital Electronic Printing" (數電易) is catered to business operators that provide daily-living services, fulfilling business operators' need to issue digitalised electronic invoices in a convenient and efficient manner and complemented by AI digitalised electronic mini-invoice device which facilitates automated issuance of digitalised electronic invoices and collection of operation data.

Medical Equipment Products

The medical-grade compressor-based nebulisers launched by the Company in 2021 have been widely praised in the market for its outstanding performance underpinned by minute granularity, low noise generation and multi-level volume adjustment.

The Company obtained the medical product registration permits for its 3L-equivalent (PMO30 and PMO50) and 7L-equivalent (PMO720 Series) portable oxygen concentrator in early 2022 and late 2023 and for its 5L-equivalent (PMO530 Series) portable oxygen concentrator in April 2024. The Company's minute-size and lightweight product equipped with a built-in battery not only enables patients to carry supplementary oxygen around to sustain and enhance their normal blood oxygen saturation level, but also frees them from the physical constraints of the traditional desk-top oxygen concentrator and allows them to remain socially engaged as usual and embrace outdoor activities at a normal rhythm.

The Company commenced research and development of the 5L vertical oxygen concentrator (HM500 Series) in May 2024. This product features the balanced four-cylinder compressor, an exclusive product of the Company which employs the state-of-the-art VPSA (vacuum pressure swing adsorption) oxygen concentration system and unique air drying and patented noise reduction technology to achieve minimum noise level (28db at the lowest) and optimal performance (molecular sieve life of over 20,000 hours). The product is scheduled for launch in the first half of 2025. In the meantime, our development of the ring oximeter has entered the stage of clinical test and the product is scheduled for launch by the end of 2024 to become the first-ever product linking oxygen concentrator, oximeter and information of the human body.

Management's Discussion and Analysis (continued)

Financial Review

Results Summary

For the six months ended 30 June 2024, the Group's turnover amounted to approximately RMB84,237,000, representing a decrease of approximately 29% as compared to that of the corresponding period of last year. The loss attributable to shareholders of the Company amounted to approximately RMB43,406,000, as compared with a loss of approximately RMB34,232,000 in the first half of 2023. The basic loss per share as at 30 June 2024 was approximately RMB0.071 (the basic loss per share as at 30 June 2023: RMB0.056). The loss attributable to shareholders for the first half of 2024 was mainly due to the full implementation of digital e-invoicing in Mainland China in a continuous manner and the lack of sufficient market demand as well as the recognition of asset impairment.

Analysis of Sales and Gross Profit

Compared with the first half of 2023, due to the full implementation of digital e-invoicing in Mainland China in a continuous manner and insufficient market demand, the Group's total sales revenue in the first half of 2024 was RMB84,237,000, represented a decrease of approximately 29% as compared with that of the corresponding period in 2023.

The Group's consolidated gross loss was RMB3,973,000, and consolidated gross profit margin decreased to -5%, which was due to the provision of impairment of approximately RMB8,580,000 and approximately RMB17,692,000 for inventories and long-term assets respectively. If the provision for impairment of long-term assets is added back, the Group's consolidated gross profit would be RMB13,719,000 and the consolidated gross profit margin would be 16%.

Capital Expenditure

For the six months ended 30 June 2024, capital expenditure of the Group amounted to approximately RMB2,172,000, which was mainly used for the acquisitions of production equipment and customization of product molds.

Financial and Liquidity Position

As at 30 June 2024, the total assets of the Group amounted to approximately RMB206,709,000 (31 December 2023: RMB254,190,000), controlling shareholder's interests amounted to approximately RMB31,757,000 (31 December 2023: RMB77,852,000); non-controlling interests amounted to approximately RMB(1,246,000) (31 December 2023: RMB(1,077,000)); current liabilities amounted to approximately RMB155,590,000 (31 December 2023: RMB152,233,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 0.78 (31 December 2023: 0.91). The decrease in current ratio was mainly attributable to a decrease in current assets of approximately RMB17,107,000 during the year.

As at 30 June 2024, the cash and cash equivalents and restricted cash of the Group amounted to approximately RMB27,539,000 (31 December 2023: RMB37,291,000) in aggregate. The outstanding bills receivables from customers amounted to approximately RMB5,052,000 (31 December 2023: approximately RMB5,750,000). The bank loans amounted to approximately RMB119,674,000 (31 December 2023: approximately RMB108,749,000). The gearing ratio of the Group was 57.9% as at 30 June 2024 (31 December 2023: 42.8%), being a ratio of sum of bank loans of RMB119,674,000 (31 December 2023: RMB108,749,000) to total assets.

Management's Discussion and Analysis (continued)

Financial Assets at Fair Value through Other Comprehensive Income

The amount represents the Group's medium to long term equity investments in private enterprises.

As at 30 June 2024, the fair value of the Company's investment was RMB15,477,000 (31 December 2023: RMB18,964,000). Of which, the Group's holding of 1.76% interest in 廣東航天信息愛信諾科技有限公司 (Guangdong Aerospace Information Aisino Technology Co., Ltd.) ("Guangdong Aisino"), a company that is engaged in electronic invoices and related software development business, accounted for RMB8,515,000 (31 December 2023: RMB10,654,000) representing approximately 55.02% (31 December 2023: 56.18%) of the Group's financial assets at fair value through other comprehensive income. The original investment cost of the Company in Guangdong Aisino in February 2018 was RMB528,000. Save for the investments in Guangdong Aisino, the Company also hold minority interests in four other companies, ranging from 0.35% to 10%.

The investment strategy of the Company is to invest in companies that are engaged in upstream or downstream industries and have synergy effects to the business of the Group.

Pledge of Assets

As at 30 June 2024, property, plant and equipment and right-of-use assets of RMB38,443,000 (31 December 2023: RMB42,089,000) were pledged as collateral for the Group's bank borrowings of RMB109,000,000 (31 December 2023: RMB97,000,000). As at 30 June 2024, the transferred or discounted receivables recognised in bills receivable amounted to RMB4,921,000 (31 December 2023: RMB5,742,000). The amounts repayable under these agreements are presented as secured borrowing of RMB4,913,000 (31 December 2023: RMB5,719,000).

Foreign Currency Risks

The Group mainly operates in the Chinese Mainland with most of the transactions denominated and settled in RMB. However, the Group is exposed to foreign exchange risks for assets and liabilities denominated in Hong Kong dollars, United States dollars, Taiwanese dollars and Euro arising from the import of certain raw materials and machinery, sales of goods to overseas customers and borrowings that are denominated in foreign currencies. As at 30 June 2024, the Group had more monetary financial liabilities than financial assets outside Chinese Mainland.

The Group manages and monitors its foreign exchange risks by performing regular review of the Group's net foreign exchange exposures and mitigates the impact of exchange rate fluctuations by reducing the financial liabilities if needed.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

Future Plans for Material Investments or Capital Assets

As at the date of this report, the Group does not have any plan for any material investments or capital assets.

Management's Discussion and Analysis (continued)

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2024 (31 December 2023: nil).

Staff

As at 30 June 2024, the Group employed a total of 621 staff members (31 December 2023: 670 staff members). Apart from 6 employees employed in Hong Kong and overseas, all employees of the Group were based in Chinese Mainland. The Group applies its remuneration and bonus policies for employees with reference to business results and individual staff performance. In addition, fringe benefits, such as social security insurance, medical allowance and housing provident fund, were provided to ensure the Group remains as a competitive employer. In addition, the Group has maintained a share option scheme to reward and incentivize its employees.

Miscellaneous

The board of Directors (the "Board") is of the opinion that there have been no material changes to the information published in the Company's annual report for the year ended 31 December 2023, other than those disclosed in this report.

Events after the Period

There were no other significant events after the Period and up to the date of this report.

Interim Dividend

The Board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Jolimark Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 34, which comprises the interim condensed consolidated balance sheet of Jolimark Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2024 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Report on Review of Interim Financial Information (continued)

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) to the interim financial information, which indicates that the Group incurred a net loss of approximately RMB 43,495,000 during the period ended 30 June 2024, and a net operating cash outflow of approximately RMB 18,686,000. As of that date, the Group's current liabilities exceeded its current assets by approximately RMB 33,707,000. The Group had total bank borrowings of approximately RMB 119,674,000, of which approximately RMB 101,467,000 were current bank borrowings repayable within the next twelve months from 30 June 2024, while it had cash and cash equivalents of approximately RMB 27,539,000 as at 30 June 2024. As stated in Note 2(b), these conditions, along with other matters as set out in Note 2(b) to the interim financial information, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2024

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2024 Unaudited	31 December 2023 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	56,515	79,525
Right-of-use assets	8	8,945	9,105
Investment properties		913	961
Intangible assets	8	1,451	2,605
Investments accounted for using the equity method	9	733	3,233
Financial assets at fair value through other comprehensive income	10	15,477	18,964
Other assets		792	807
		84,826	115,200
Current assets			
Inventories	11	63,094	70,098
Trade and other receivables	12	31,250	31,601
Cash and cash equivalents	13	27,539	37,291
		121,883	138,990
Total assets		206,709	254,190
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		9,155	9,155
Other reserves		264,426	267,115
Accumulated losses		(241,824)	(198,418)
		31,757	77,852
Non-controlling interests		(1,246)	(1,077)
Total equity		30,511	76,775

Condensed Consolidated Interim Balance Sheet (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2024 Unaudited	31 December 2023 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	14	18,207	21,525
Lease liabilities		754	1,297
Deferred income tax liabilities		1,647	2,360
		20,608	25,182
Current liabilities			
Trade and other payables	15	44,774	47,245
Contract liabilities		7,436	16,373
Lease liabilities		1,913	1,391
Borrowings	14	101,467	87,224
		155,590	152,233
Total liabilities		176,198	177,415
Total equity and liabilities		206,709	254,190

The above condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

The interim financial information on pages 11 to 34 were approved by the Board of Directors on 27 August 2024 and were signed on its behalf:

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2024 Unaudited	2023 Unaudited
Revenue	6	84,237	117,988
Cost of goods sold	7	(88,210)	(95,707)
Gross (loss)/profit		(3,973)	22,281
Other income		691	1,023
Selling and marketing costs	7	(13,276)	(15,709)
Administrative expenses	7	(17,695)	(25,923)
Research and development expenses	7	(6,768)	(11,644)
Net impairment losses on financial assets		763	(317)
Other gains – net		1,728	468
Operating loss		(38,530)	(29,821)
Finance expenses – net	16	(2,465)	(3,195)
Share of loss of associates accounted for using the equity method	9	(1)	(58)
Impairment loss on investment in associate	9	(2,499)	(1,299)
Loss before income tax		(43,495)	(34,373)
Income tax expenses	17	–	(58)
Loss for the period		(43,495)	(34,431)
Loss attributable to:			
– Shareholders of the Company		(43,406)	(34,232)
– Non-controlling interests		(89)	(199)
		(43,495)	(34,431)
Loss attributable to shareholders of the Company arises from:			
– Continuing operations		(43,406)	(34,232)
– Discontinued operations		–	–
		(43,406)	(34,232)
Loss per share for loss attributable to the shareholders of the Company (expressed in RMB per share)			
– Basic	18	(0.071)	(0.056)
– Diluted	18	(0.071)	(0.056)

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

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2024 Unaudited	2023 Unaudited
Loss for the period	(43,495)	(34,431)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	(3,487)	1,719
Income tax relating to these items	713	(515)
Other comprehensive (loss)/gain for the period, net of tax	(2,774)	1,204
Total comprehensive loss for the period	(46,269)	(33,227)
Total comprehensive loss for the period attributable to:		
– Shareholders of the Company	(46,100)	(33,099)
– Non-controlling interests	(169)	(128)
	(46,269)	(33,227)
Total comprehensive loss for the period attributable to shareholders of the Company arises from:		
– Continuing operations	(46,100)	(33,099)
– Discontinued operations	–	–
	(46,100)	(33,099)

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

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Attributable to shareholders of the Company					
	Share capital and premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2024 (Audited)	9,155	267,115	(198,418)	77,852	(1,077)	76,775
Comprehensive loss						
Loss for the period	–	–	(43,406)	(43,406)	(89)	(43,495)
Other comprehensive loss	–	(2,694)	–	(2,694)	(80)	(2,774)
Total comprehensive loss	–	(2,694)	(43,406)	(46,100)	(169)	(46,269)
Transactions with shareholders						
Employee share option scheme – value of employee services	–	5	–	5	–	5
Transactions with shareholders	–	5	–	5	–	5
Balance at 30 June 2024 (Unaudited)	9,155	264,426	(241,824)	31,757	(1,246)	30,511
Balance at 1 January 2023 (Audited)	9,155	265,872	(118,175)	156,852	(777)	156,075
Comprehensive (loss)/income						
Loss for the period	–	–	(34,232)	(34,232)	(199)	(34,431)
Other comprehensive income	–	1,133	–	1,133	71	1,204
Total comprehensive income/(loss)	–	1,133	(34,232)	(33,099)	(128)	(33,227)
Transactions with shareholders						
Transfer to the statutory reserve and enterprise expansion fund	–	774	(774)	–	–	–
Employee share option scheme – value of employee services	–	7	–	7	–	7
Transactions with shareholders	–	781	(774)	7	–	7
Balance at 30 June 2023 (Unaudited)	9,155	267,786	(153,181)	123,760	(905)	122,855

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

Condensed Consolidated Interim Statement of Cash Flows

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2024 Unaudited	2023 Unaudited
Cash flows from operating activities			
Cash (used in)/generated from operations		(16,568)	5,547
Income tax paid		–	(767)
Interest paid		(2,118)	(3,097)
Net cash (used in)/generated from operating activities		(18,686)	1,683
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,001)	(2,360)
Purchase of other assets		(171)	–
Disposals of property, plant and equipment		134	6
Interests received		199	446
Net cash used in from investing activities		(1,839)	(1,908)
Cash flows from financing activities			
Proceeds from borrowings		55,000	91,672
Repayments of borrowings		(43,276)	(70,387)
Principal elements of lease payments		(967)	(1,036)
Net cash generated from financing activities		10,757	20,249
Net (decrease)/increase in cash and cash equivalents		(9,768)	20,024
Cash and cash equivalents at beginning of the period	13	37,291	68,974
Exchange gains on cash and cash equivalents		16	205
Cash and cash equivalents at end of the period	13	27,539	89,203

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. General information

Jolimark Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Act (2003 Revision) of the Cayman Islands. The address of its registered offices is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) are manufacture and sale of printers, other electronic products and other non-electronic products mainly in the mainland of People’s Republic of China (the “Chinese Mainland”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 29 June 2005.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

(a) Compliance with HKFRS and HKCO

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”), and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622 (“HKCO”).

(b) Going concern basis

For the six months ended 30 June 2024, the Group recorded a loss of approximately RMB43,495,000 and a net operating cash outflow of approximately RMB18,686,000. As at 30 June 2024, the Group’s current liabilities exceeded its current assets by approximately RMB33,707,000. The Group had total bank borrowings of approximately RMB119,674,000, of which approximately RMB101,467,000 were current bank borrowings repayable within the next twelve months from 30 June 2024, while it had cash and cash equivalents of approximately RMB27,539,000 as at 30 June 2024.

Given the countrywide application of the fully digitalized electronic invoice, domestic market demand of the dot-matrix printers decreased continuously, the sales of dot-matrix printers, which was the Group’s main products, decreased during the six months ended 30 June 2024, which led to a 31% decrease in revenue of Printers Segment (note 6) and resulted in net operating cash outflows.

The above conditions indicated the existence of a material uncertainty which may cast a significant doubt on the Group’s ability to continue as a going concern.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

2. Basis of preparation (Continued)

(b) Going concern basis (Continued)

In view of such circumstances, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity and operating performance of the Group and its available sources of financing to assess whether the Group will have sufficient financial resources to meet its financial obligations to continue as a going concern. Plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position, including but not limited to the following:

- (i) The Group will closely monitor its compliance of covenants related to bank borrowings and will seek for extension and renewal of its existing bank borrowings upon maturity. In August 2024, the Group has successfully renewed a bank loan of RMB20,000,000. In addition, the Group will have certain bank borrowings amounted to RMB30,000,000 that will mature in January 2025 which the renewal conditions require repayment before the drawing of new facilities. The controlling shareholder of the Company has committed to provide a standby facility as a safeguard of a sufficient amount from now to 31 January 2025 to facilitate the renewal of these bank borrowings when needed. Management believes that the Group’s existing facilities will continually be available and the Group will be able to extend and renew its bank borrowings successfully, as most of these borrowings are secured by the Group’s property, plant and equipment and right-of-use assets.
- (ii) The Group anticipated that the domestic market demand for dot-matrix printers will be stabilized. The Group will continue to develop and enhance the functionalities of its dot-matrix printers and expand its sales channels. The Directors of the Group are confident that the sales of dot-matrix printers can contribute steady cash inflows to the Group.

Built on the strong foundation of its research and development as well as production capacity, the Group will continue to expand its product offerings in the emerging consumer printing equipment and medical equipment markets. The Directors of the Group are optimistic about the potential and growth of the sales in these two markets which will provide additional cash inflows to the Group in 2024 and 2025.

- (iii) The Group has taken certain strict cost and expenditures control measures in the second quarter of 2024, and will continue to implement such measures to reduce operating cash outflow.

The Directors have reviewed the Group’s cash flow projections prepared by management, which cover a period not less than twelve months from 30 June 2024. In light of the above and taking into account the anticipated net operating cash inflows as well as the above plans and measures, the Directors are of the view that the Group will have sufficient financial resources to satisfy its future working capital requirements as and when they fall due in the coming twelve months from 30 June 2024. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

2. Basis of preparation (Continued)

(b) Going concern basis (Continued)

Notwithstanding the above, a material uncertainty exists as to whether the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate cash flows through:

- (i) continued availability of the existing bank facilities of the Group, the standby facility as a safeguard of a sufficient amount from the controlling shareholder as and when required and successful and timely extension and renewal of its bank borrowings upon maturity;
- (ii) successful implementation of the plans and measures to improve the operation performance of the business of printers and medical equipment products to generate operating cash inflow; and
- (iii) successful implementation of the measures to strictly control cost and expenditures payments to reduce operating cash outflow.

Should the Group be unable to achieve the above plans and measures such that it would not be able to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated interim financial information.

3. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

3.1 New and amended standards adopted by the Group

The following new and amended standards are mandatory for adoption for the financial year beginning 1 January 2024 for the Group:

HKAS 1 (Amendment)	Classification of Liabilities as current or non-current
HKAS 1 (Amendment)	Non-current liabilities with covenants
HKFRS 16 (Amendment)	Lease liability in sale and leaseback
HKAS 7 and HKFRS 7 (Amendment)	Supplier Finance Arrangements

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this financial year and has concluded that they do not have significant impact on the Group's accounting policies and do not require retrospective amendments and interpretation adjustments.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Accounting policies (Continued)

3.2 New and amended standards, and interpretations to standards issued but are not effective for financial year beginning 1 January 2024 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 21 (Amendment)	Lack of Exchangeability	1 January 2025
IFRS 9 and IFRS 7 (Amendment)	Classification and measurement of Financial Instruments	1 January 2026

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning after 1 January 2025 and 1 January 2026 and have not been applied in preparing this condensed consolidated interim financial information. None of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group.

4. Critical accounting estimates and judgements

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

In preparing of this condensed consolidated interim financial information, significant judgments were made by management in applying the Group's accounting policies and the key sources of estimation uncertainty was the same as those applied to the preparation of the consolidated financial statements for the year ended 31 December 2023.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price 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 Group's annual financial statements for the year ended 31 December 2023.

There have been no significant changes in risk management policies during the six months ended 30 June 2024.

(a) Liquidity risk

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group could renew its banking facilities when they expire and therefore has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial information.

5.2 Fair value estimation

The Group's financial assets include cash and cash equivalents, restricted cash, trade and other receivables and financial assets at fair value through other comprehensive income ("FVOCI"). The Group's financial liabilities include trade and other payables and borrowings. The fair value for financial assets and liabilities with maturities less than one year are assumed to approximate their carrying amounts due to their short term maturities.

The different levels of fair value hierarchy are defined as below:

Level 1 – The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. 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.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. Financial risk management (Continued)

5.2 Fair value estimation (Continued)

	As at	
	30 June 2024	31 December 2023
Level 3		
Financial assets at FVOCI		
– unlisted equity securities (note 10)	15,477	18,964

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. At each reporting date, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques, including:

- the use of quoted market prices or dealer quotes for similar instruments
- the recent market transactions for the same or a similar asset
- for other financial instruments – discounted cash flow analysis or market approach.

Quantitative information about fair value measurement using significant unobservable inputs (Level 3) is as follow:

Description	Fair value at 30 June 2024	Valuation techniques	Unobservable inputs	Range of inputs at 30 June 2024	Relationship of unobservable inputs to fair value
Financial assets at FVOCI – unlisted equity securities	8,515*	Market approach	Price-to-sales Ratio ("P/S")	P/S: 3.06–14.70	The higher P/S, the higher fair value
	1,786	Market approach	Price-to-Book Ratio ("P/B")	P/B: 0.40–1.60	The higher P/B, the higher fair value
	–	Market approach	P/S	P/S: 8.71–23.37	The higher P/S, the higher fair value
	5,176	Market approach	Price Earnings Ratio ("P/E")	P/E: 28.32–49.87	The higher P/E, the higher fair value

- * Balance represents the Group's equity investment of 1.76% interest in 廣東航天信息愛信諾科技有限公司 (Guangdong Aerospace Information Aisino Technology Co.,Ltd.), which is engaged in electronic invoices and related software development business.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. Segment information

The directors and chief executive officer of the Group are the chief operating decision-makers (the “CODM”) of the Group. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM manages the Group’s business from the perspective of different product lines of the Group, i.e. printers and others. The CODM assesses the performances of the operating segments based on a measure of segment revenue and segment results.

The segment revenue and results and the reconciliation with loss for the six months ended 30 June 2024 are as follows:

	Printers	Other products	Total
Revenue (from external customers) (note (a))	71,741	12,496	84,237
Timing of revenue recognition			
At a point in time	71,741	12,496	84,237
Over time	–	–	–
Segment results	(24,390)	373	(24,017)
Other income			691
Administrative expenses			(17,695)
Net impairment losses on financial assets			763
Other gains – net			1,728
Finance expenses – net			(2,465)
Share of losses of associates accounted for using the equity method			(1)
Impairment loss on investment in associate			(2,499)
Loss for the period			(43,495)
Segment results include:			
Selling and marketing costs	(12,499)	(777)	(13,276)
Research and development expenses	(5,452)	(1,316)	(6,768)

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. Segment information (Continued)

The segment revenue and results and the reconciliation with profit for the six months ended 30 June 2023 are as follows:

	Printers	Other products	Total
Revenue (from external customers) (note (a))	104,227	13,761	117,988
Timing of revenue recognition			
At a point in time	104,227	13,761	117,988
Over time	–	–	–
Segment results	(7,190)	2,118	(5,072)
Other income			1,023
Administrative expenses			(25,923)
Net impairment losses on financial assets			(317)
Other gains – net			468
Finance expenses – net			(3,195)
Share of losses of associates accounted for using the equity method			(58)
Impairment loss on investment in associate			(1,299)
Income tax expenses			(58)
Loss for the period			(34,431)
Segment results include:			
Selling and marketing costs	(14,269)	(1,440)	(15,709)
Research and development expenses	(9,873)	(1,771)	(11,644)

- (a) Revenues from external customers are for sales of goods. There is no inter-segment sales for the six months ended 30 June 2024 and 2023.
- (b) The Group is domiciled in the Chinese Mainland. The revenue from external customers are as follows:

	Six months ended 30 June	
	2024	2023
In the Chinese Mainland	82,009	111,397
In overseas	2,228	6,591
	84,237	117,988

- (c) For the six months ended 30 June 2024, approximately 44% of total revenue (six months ended 30 June 2023: 19%) are derived from a single external customer, which is attributable to the segment of printers.
- (d) For the six months ended 30 June 2024, the Group's non-current assets were mainly located in the Chinese Mainland.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. Expenses by Nature

	Six months ended 30 June	
	2024	2023
Raw materials and consumables recognised in cost of goods sold and expenses	51,608	76,934
Employee benefit expenses	26,819	28,515
Provision for inventories	8,580	14,754
Depreciation and amortisation	6,913	8,473
Impairment of property, plant and equipment and intangible assets	20,078	5,242
Transportation expenses	2,113	2,651
Travel and entertainment expenses	2,132	2,452
Advertising and promotion fees	875	1,302
Repairs and maintenance	963	1,122
Operating leases	735	1,012
Auditor's remuneration	575	764
Others	4,558	5,762
	125,949	148,983

8. Property, plant and equipment, right-of-use assets and intangible assets

	Property, plant and equipment	Right-of-use assets	Intangible assets		Total
			Goodwill	Others	
Six months ended 30 June 2024					
Opening net book amount as at 1 January 2024	79,525	9,105	48	2,557	91,235
Additions	2,000	924	–	–	2,924
Disposals	(260)	(45)	–	–	(305)
Depreciation and amortisation	(5,319)	(1,039)	–	(507)	(6,865)
Impairment losses	(19,431)	–	–	(647)	(20,078)
Closing net book amount as at 30 June 2024	56,515	8,945	48	1,403	66,911
Six months ended 30 June 2023					
Opening net book amount as at 1 January 2023	96,284	11,121	48	3,949	111,402
Additions	2,360	255	–	–	2,615
Disposals	(94)	–	–	–	(94)
Depreciation and amortisation	(6,488)	(1,128)	–	(751)	(8,367)
Impairment losses	(5,242)	–	–	–	(5,242)
Closing net book amount as at 30 June 2023	86,820	10,248	48	3,198	100,314

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. Property, plant and equipment, right-of-use assets and intangible assets

(Continued)

(a) As at 30 June 2024, property, plant and equipment of RMB32,018,000 (31 December 2023: RMB35,523,000) and right-of-use assets of RMB6,425,000 (31 December 2023: RMB6,566,000) were pledged as collateral for the Group's bank borrowings (note 14).

(b) Impairment

(i) Assets level impairment

The accumulated impairment losses of RMB5,242,000 relates to the moulds that identified as obsolete and dormant assets due to the iteration of the relevant products. No additional loss was recognised in the income statement for the six months ended 30 June 2024.

(ii) Cash generated unit ("CGU") level impairment

Given the countrywide application of the fully digitalized electronic invoice, domestic market demand of the dot-matrix printers decreased continuously, the operating cash inflows from sales of dot-matrix printers, which was the Group's main products, were decreased during the six months ended 30 June 2024. As a result, the actual net operating cash flows or operating profit or loss flowing from the asset being used for the printer business were significantly worse than management's expectation. Both circumstances contribute to the indication of impairment of long-term assets. The management has conducted impairment tests on long-term assets accordingly.

The Group classifies the long-term assets comprising property, plant and equipment, intangible assets and right-of-use assets being used for the printer business as a CGU ("Printer CGU") to conduct impairment test of the long-term assets.

The long-term assets in the Printer CGU were written down from their carrying amount of RMB78,435,000 to its recoverable amount of RMB58,357,000, which was determined by the value-in-use of CGU and the pre-tax discount rate used in the value-in-use calculation is 14.19%.

For the six months ended 30 June 2024, additional impairment losses related to the Printer CGU are recognised in the income statement, amounted at RMB20,078,000, among which RMB19,431,000 and RMB647,000 were allocated to the property, plant and equipment and intangible assets, respectively.

For the six months ended 30 June 2024, the impairment losses of RMB17,692,000 and RMB2,386,000 are respectively recognised in cost of sales and administrative expenses in the income statement.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. Investments accounted for using the equity method

	Six months ended 30 June	
	2024	2023
Balance at 1 January	3,233	6,850
Share of loss – net	(1)	(58)
Impairment charged	(2,499)	(1,299)
Balance at 30 June	733	5,493

- (a) During the six months ended 30 June 2024, the Group performed an impairment assessment of its investment in Wuhan Hong Rui Da Information Technology Limited Company since it has not met its operation target for the period and has made an impairment provision of RMB2,499,000.

10. Financial assets at fair value through other comprehensive income

	Six months ended 30 June	
	2024	2023
Balance at 1 January	18,964	18,167
Fair value (losses)/gains – net	(3,487)	1,719
Balance at 30 June	15,477	19,886

As at 30 June 2024 and 31 December 2023, amounts represent the Group's medium to long term equity investments in private enterprises.

11. Inventories

During the six months ended 30 June 2024, the cost of inventories recognised in consolidated income statement amounted to approximately RMB70,586,000 (six months ended 30 June 2023: RMB95,835,000), which included provision for inventories amounting to approximately RMB8,580,000 (six months ended 30 June 2023: RMB14,754,000).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. Trade and other receivables

	Note	As at	
		30 June 2024	31 December 2023
Current			
Trade receivables – third parties	a	14,398	14,457
Less: loss allowance of trade receivables		(1,243)	(1,911)
		13,155	12,546
Bills receivables	b	5,071	5,772
Less: loss allowance of bills receivables		(19)	(22)
		5,052	5,750
Prepayments			
– Third parties		3,057	4,118
– Related parties	20	1	–
		3,058	4,118
Other receivables			
– Third parties		9,968	9,146
– Related parties	20	377	493
Less: loss allowance of other receivables			
– Third parties		(322)	(444)
– Related parties	20	(38)	(8)
		9,985	9,187
		31,250	31,601

- (a) The Group's sales to customers are generally granted with credit terms that range from 30 days to 90 days or extended as considered appropriate by the directors of the Company. As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at	
	30 June 2024	31 December 2023
Less than 30 days	6,206	5,266
31–90 days	2,707	3,538
91–180 days	1,992	2,144
181–365 days	2,187	394
Over 365 days	63	1,204
	13,155	12,546

The Group applies the simplified approach prescribed by HKFRS 9 to provide for expected credit losses. As at 30 June 2024, trade receivables of approximately RMB 5,248,000 (31 December 2023: RMB3,745,000) were past due.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. Trade and other receivables (Continued)

- (b) As at 30 June 2024, bills receivables represent bank acceptance bills (31 December 2023: bank acceptance bills).

As at 30 June 2024, the transferred or discounted receivables recognised in bills receivable amounted to RMB 4,921,000 (31 December 2023: RMB 5,742,000). The cash received by transferring or discounting such bills receivables are presented as secured borrowing (Note 14).

13. Cash and cash equivalents

	As at	
	30 June 2024	31 December 2023
Cash at bank and in hand	27,539	37,291

14. Borrowings

	As at	
	30 June 2024	31 December 2023
Non-current		
Guaranteed bank borrowings (note (a))	861	1,130
Secured bank borrowings (note (b))	24,000	27,000
Less: current portion of non-current borrowings	(6,654)	(6,605)
	18,207	21,525
Current		
Secured bank borrowings (note (b))	89,913	75,719
Unsecured bank borrowings (note (c))	4,900	4,900
Add: current portion of non-current borrowings	6,654	6,605
	101,467	87,224
	119,674	108,749

- (a) Bank borrowings of HKD943,000 (equivalent to RMB861,000) were guaranteed by a director of the Company, Mr. Au Pak Yin. The borrowings bear an interest rate of 2.5% per annum below the prime lending rate for HK dollars.
- (b) Of the current secured bank borrowings, RMB4,913,000 (31 December 2023: RMB5,719,000) is related to transferred or discounted bills receivables, which are recognised as bills receivables and bear an annualised interest rate from 1.38% to 2.35%.

As at 30 June 2024, the remaining bank borrowings of RMB109,000,000 (31 December 2023: RMB97,000,000) were secured by certain property, plant and equipment and right-of-use assets (Note 8).

- (c) Save as the guaranteed bank borrowings disclosed in note (a) and note (b), bank borrowings bear fixed interest rates ranging from 3.05% to 3.60%.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. Trade and other payables

	As at	
	30 June 2024	31 December 2023
Trade payables		
– Third parties	30,235	27,978
– Related parties	9	–
Other payables		
– Third parties	13,791	18,474
– Related parties	343	397
Dividends payable	396	396
	44,774	47,245

At 30 June 2024 and 31 December 2023, the ageing analysis of the trade payables based on invoice date is as follows:

	As at	
	30 June 2024	31 December 2023
Less than 30 days	8,637	8,235
31–90 days	16,145	18,522
91–180 days	3,741	18
181–365 days	534	13
Over 365 days	1,187	1,190
	30,244	27,978

16. Finance expenses – net

	Six months ended 30 June	
	2024	2023
Interest expenses		
– bank borrowings	2,335	3,006
– loan from a non-controlling shareholder	57	53
– lease liabilities	67	91
Exchange losses on bank borrowings	6	45
	2,465	3,195

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. Income tax expenses

	Six months ended 30 June	
	2024	2023
Current income tax		
– Corporate income tax	–	20
Deferred income tax	–	38
	–	58

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2024 (six months ended 30 June 2023: same).

Corporate income tax

During the six months ended 30 June 2024 and 2023, the Group's subsidiaries in the Chinese Mainland are subject to the China corporate income tax ("CIT") at a rate of 25% on estimated assessable profits, except that Kong Yue Electronics & Information Industry (Xinhui) Limited, the Group's major subsidiary in the Chinese Mainland, is qualified for high and new technology enterprise status and is therefore subject to a preferential income tax rate of 15%.

Dividend withholding tax

Dividends distributed out from the profits generated by the Chinese Mainland companies to their foreign investors should be subject to a withholding income tax of 10%, and a lower 5% withholding tax rate may be applied when the immediate holding companies of the Chinese Mainland subsidiaries are established in Hong Kong and meet the requirements to the tax treaty arrangements between the Chinese Mainland and Hong Kong.

During the six months ended 30 June 2024 and 2023, no provision for dividend withholding tax is necessary.

Overseas income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (2003 Revision) of Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. Subsidiaries of the Company in the British Virgin Islands (the "BVI") are incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from income tax in the BVI.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. Loss per share

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. The options granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the six months ended 30 June 2024.

	Six months ended 30 June	
	2024	2023
Loss attributable to the shareholders of the Company (RMB'000)	(43,406)	(34,232)
Weighted average number of ordinary shares in issue (shares in thousands)	612,882	612,882
Basic and diluted loss per share (RMB per share)	(0.071)	(0.056)

19. Dividends

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. Significant related party transactions

The ultimate holding company of the Company is Au Pak Yin, Tai Noi Kit Family Holdings Limited, which is incorporated in the British Virgin Islands.

Major related parties that had transactions with the Group during the six months ended 30 June 2024 and 2023 were Au Family, the parties controlled by Au Family*, an associate and company beneficially owned by Mr. Au Pak Yin and close Au Family Members.

* Mr. Au Pak Yin, Ms. Tai Noi Kit, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Ms. Ou Ri Ai (together, "Au Family") are the beneficial owner of the Company.

(a) Transactions with related parties

Save as disclosed elsewhere in the interim financial information, during the six months ended 30 June 2024 and 2023, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Six months ended 30 June	
	2024	2023
Parties controlled by the Au Family		
Purchases of goods and services	500	1,009
Lease Income	110	129
Rental expense (short-term leases)	408	455

(b) Key management compensation

	Six months ended 30 June	
	2024	2023
Salary and other short-term employee benefits	1,123	1,378
Retirement scheme contribution	34	54
	1,157	1,432

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. Significant related party transactions (Continued)

(c) Balances with related parties

	As at	
	30 June 2024	31 December 2023
Trade and other receivables		
– An associate (note (i))	340	493
Trade and other payables		
– Company beneficially owned by Mr. Au Pak Yin and close Au Family Members	352	397

(i) The balance represents a secured loan to an associate company, Wuhan Hong Rui Da Information Technology Limited Company, which was originally interest free with three-year maturity due in July 2020 and was extended for another 4.5 years upon the original due date. The renewed loan is due in five instalments in July 2021, July 2022, July 2023, July 2024 and January 2025 with interest rate of 4.65% per annum.

(ii) These amounts due from/to related parties are unsecured and interest free; amounts due from related parties are repayable on demand.

Disclosure of Interests

(a) Interests and Short Positions of the Directors and chief executive of the Company

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set forth in Appendix C3 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number of ordinary shares held ^(Note 1)	Percentage in the relative class of share capital (approx.)
Mr. Au Pak Yin (“Mr. Au”)	Company	Interest in controlled corporation ^(Note 2)	445,027,533 (L)	72.61%
Mr. Au	Kytronics Holdings Limited (“Kytronics”)	Beneficial owner	5 (L)	100%

Notes:

1. The letter “L” denotes the Director’s long position in such securities.
2. 445,027,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information (continued)

(b) Substantial Shareholders' Interest in the Shares

As at 30 June 2024, as far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Company/Name of associated corporation	Capacity	Number of ordinary shares held	Percentage in the relevant class of share capital (approx.) ^(Note 1)
Kytronics	Company	Beneficial Owner	445,027,533 ^(Note 2)	72.61%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	31,200,000 ^(Note 3)	5.09%(L)

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. 445,027,533 Shares were held directly by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO. Ms. Tai Noi Kit is the spouse of Mr. Au. Accordingly, Ms. Tai Noi Kit is deemed to be interested in all the shares in which Mr. Au is interested.
3. 31,200,000 Shares were held by Jayhawk Private Equity Fund II, L.P. which is wholly-owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 30 June 2024, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Share Option Scheme

Details of the share option scheme adopted on 18 May 2015 (the “2015 Scheme”) were set out in the published annual report of the Company for the year ended 31 December 2023. Since adoption, 2,900,000 share options have been granted on 25 September 2020 under the 2015 Scheme. No share option was granted under the 2015 Scheme during the six months ended 30 June 2024. As at the beginning and end of the six months ended 30 June 2024 and as at the date of this report, the number of options available for grant under the 2015 Scheme was 57,581,950 shares.

The following table summarizes the movements in the Company’s share options during the six months ended 30 June 2024:

Name	Date of grant	Exercise price HK\$	Outstanding as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2024	Percentage of the issued share capital of the Company as at the date of this report	Exercise period
Employees	25 September 2020	0.130 <small>(Note 2 and 3)</small>	1,600,000	-	-	(500,000)	-	1,100,000	0.18%	25 September 2021 to 25 September 2026 ^(Note 1)
Total			1,600,000	-	-	(500,000)	-	1,100,000	0.18%	

Notes:

1. The first 25% of the option can be exercisable at any time on and after the first anniversary of the date of grant. The next 25% of the option can be exercisable at any time commencing from the second anniversary of the date of grant. The third 25% of the option can be exercisable at any time commencing from the third anniversary of the date of grant. The remaining 25% of the option can be exercisable at any time commencing from the fourth anniversary of the date of grant.
2. The closing price immediately before the date of grant was HK\$0.130.
3. The exercise price was determined by the Board and was fixed at HK\$0.130 per share.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors subsequent to the publication of the annual report of the Company for the year ended 31 December 2023 are set out below:

Dr. Zhong Xiaolin has resigned as an independent non-executive director of the Company, a member of the audit committee of the Company, a member of the remuneration committee of the Company and a member of the nomination committee of the Company with effect from the conclusion of the AGM on 27 May 2024.

Mr. Sun Po Yuen was appointed as an independent non-executive director of the Company, and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from the conclusion of the AGM on 27 May 2024. For the biographical details of Mr. Sun Po Yuen, please refer to the announcement of the Company dated 27 May 2024.

Save as disclosed above, there was no other matters that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information (continued)

Continuing Disclosure Obligations Pursuant to the Listing Rules

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury shares). As at 30 June 2024, the Company did not have any treasury shares.

Compliance with the Corporate Governance Code

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix C1 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as in effect from time to time (the "CG Code") during the six months ended 30 June 2024, save for the deviation from code provision F.2.2 of the CG Code:

In accordance with the requirements of code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. However, due to the other business commitments, the chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 27 May 2024. Mr. Au Kwok Lun, an executive Director, acted as chairman at the annual general meeting.

Model Code for Securities Transactions

The Company has adopted the Model Code contained in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2024 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the six months ended 30 June 2024.

Review of Condensed Consolidated Interim Financial Information

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors namely, Ms. Kan Lai Kuen, Alice, Mr. Sun Po Yuen and Mr. Yeung Kwok Keung. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2024 had been reviewed by the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2024 had also been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
Jolimark Holdings Limited
Au Pak Yin
Chairman

Hong Kong, 27 August 2024