

Jolimark

Jolimark Holdings Limited
映美控股有限公司

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

2022
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
Dr. Zhong Xiaolin
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

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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*)
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Remuneration Committee

Mr. Yeung Kwok Keung (*Chairman*)
Dr. Zhong Xiaolin
Ms. Kan Lai Kuen, Alice
Mr. Au Kwok Lun

Nomination Committee

Ms. Kan Lai Kuen, Alice (*Chairman*)
Dr. Zhong Xiaolin
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 2022, the revenue of the Group derived from the printer business was approximately RMB138,818,000, which accounted for approximately 91% of the total revenue of the Group, almost remained stable as compared with that of in the first half of 2021.

Other Products

For the six months ended 30 June 2022, the revenue of the Group derived from the other products business amounted to approximately RMB12,937,000, which accounted for approximately 9% of the total revenue of the Group and represented an increase of approximately 251% as compared with that of the corresponding period in 2021. The increase was mainly attributable to the increase of sales of raw materials and projectors in the first half of 2022.

Future Business Outlook

During the first half of 2022, recurring epidemic outbreaks were reported in several regions in Mainland China. In particular, Shanghai had been subject to lockdown measures for several months, and our business had been affected to a certain extent. Nevertheless, thanks to the vigorous united effort of our staff, the Company sustained stable development in the first half of 2022, during which the commercial production and delivery of medical portable oxygen concentrators and medical nebulisers was completed.

Printing and Cloud Applications

Dot-matrix printers represent a traditional business in which the Company has been deeply engaged in for many years. In recent years, we have been making consistent effort to identify new opportunities in the industry and market. For example, the Company's portable dot-matrix mini-printer is now able to address the shortcoming of thermal printing that its output cannot be kept for a prolonged period, and can also meet the requirement of multi-page printing, hence commanding extensive market application demands in sectors such as emergency centre ambulance service and the distribution business. With the further implementation of "cross-provincial operation" of the nationwide public security authorities, Jolimark's red and black identification document printing products have been highly commended in applications relating to "cross-provincial operation" of the public security authorities, and are currently put to extensive applications by the public security authorities in Guizhou, Fuzhou, Anhui and Chongqing. During the first half of 2022, the Company added a paper roll feeder support device and a direct-current power supply source designed for use on vessels to its 80-column roller printer to complete its development of a specialized printer for offshore vessels and obtained new orders for the product.

The Company continued to develop its inkjet printing business, the products of which included inkjet printers for medicine bags and prescription notes for the medical sector, official "red letter-headed" printers for government, colour inkjet printers for homes and offices, colour label printers for the manufacturing and commercial sectors, and the coffee art machine and manicure machine for personal customers and the commercial sector.

Management's Discussion and Analysis (continued)

Jolimark's electronic invoice cloud printing standards represent an important strategic partner for WeChat and Alipay for their electronic invoice cloud printing services. Jolimark electronic invoice cloud printers and cloud printing solutions have been widely adopted by leading customers in many industries, such as State Grid, China Telecom, Aisino of China (中國航天信息), PetroChina, Sinopec and other large customers. The Company's cloud printing platform has provided cloud printing services across networks in different locations to customers. We are engaged in close cooperation with leading suppliers of sales, purchase & inventory management software, such as Kingdee, Guanjiapo and Qin Silk.

On the back of cloud printing, the Company has been actively engaged in the research and promotion of SAAS applications. Currently, the Company has launched a variety of SAAS cloud applications. "E Invoicing (E開單)" has gradually entered the phase where it is able to charge software service fees, as users have been switching to paid subscription. We will carry on with content output via the new media platform in the latter half of the year, when business promotion of the product will be conducted also with the benefit of the private traffic platform, which is currently under construction. During the first half of 2022, Jolimark Cloud Printing successfully deployed its products at the outlets of chain-store business partners such as M.Y.J to provide unmanned self-service document printing service for users. In the second half of the year, we expect to open stores for vendors' direct deployment. The Company will integrate a number of SAAS cloud application products to enhance the cross-marketing effect between products and users, so as to increase user stickiness with Jolimark.

Medical Equipment Products

Following the testing and rigorous examination procedure on medical equipment conducted by national authorities, the Company successfully obtained medical product registration permit and production permit for its medical portable oxygen concentrator in early 2022. This product is mainly designed for patients dependent on oxygen concentrators for breathing support, such as those suffering from retarded lung functions, chronic obstructive pulmonary disease and asthma. Its minute size and light weight allow patients to remain socially engaged. It is also useful for mountaineering, high-altitude tourism, or for use personally in the office or in domestic oxygen bars. It helps to improve memory and reduce fatigue for overstressed brain of workers and enhance the arterial blood oxygen content of expectant mothers for the benefit of their babies' growth. Following promotional initiatives and trial use by patients during the first half of the year and in response to demands reflected in market surveys and feedback, we plan to develop a model with larger capacity, the 6L medical portable oxygen concentrator, as well as a portable oxygen concentrator with smart control of oxygen supply volume. To address the needs of patients suffering from severe illness, we will conduct research electronic pulse oxygen concentrators capable of supplying oxygen with 93% concentration and an output volume of over 10 litres. In terms of function, it will support inhalation therapy with oxygen nebulisation to provide better therapeutic effects to patients. In the meantime, we plan to develop wearable ring oxygen monitors and heart-rate monitors, among others, to form a range of oxygen-based healthcare equipment including categories such as medical oxygen therapy, medical nebuliser, healthcare oxygen therapy and supplementary oxygen for travellers, in a bid to develop the medical equipment business into a core business segment of the Company.

Self-serviced Terminals

Offered in a range of formats, including cabinet, operating platform and desktop, among others, the Jolimark self-serviced terminal product line has been applied in multiple scenarios for sectors such as smart government service, medical care, State Grid service hall, tax administration halls and welfare lottery centres, using the Company's core technologies such as cloud printing. Given the enormous market demand for self-serviced terminals, the Company is planning to forge it into a core business.

Management's Discussion and Analysis (continued)

The self-serviced terminal supplied to the Beijing Municipal Administrative Center in support of government services is a high-performance man-machine interactive product developed to facilitate the digitization of the "Five-One" platform and a self-serviced government service terminal which integrates administrative approval, process management and self-servicing. The terminal has started to be installed in selected street and rural township service halls in Beijing since 2022. During the first half of 2022, the Company's self-serviced lottery printer terminal CSLCMT passed the test conducted by an authoritative national third-party testing agency. This self-serviced equipment is capable of printing lottery tickets with different specifications issued by different provinces and cities in China, and is expected to be launched in the second half of the year. Meanwhile, on top of its existing 21.5-inch screenless self-serviced terminal, the Company has launched the APM-15W series, a red-and-black electronic bill self-serviced terminal with a 15.6-inch screen operating platform to provide customers with additional choices from an enriched product line.

Financial Review

Results Summary

For the six months ended 30 June 2022, the Group's turnover amounted to approximately RMB151,755,000, representing a slight increase of approximately 7% as compared to that of the corresponding period of last year. The raw material price continued its increasing trend from the second half of 2021, resulting in a decrease of the Group's consolidated gross profit margin from approximately 31% to approximately 28% as compared to the corresponding period of last year. The loss attributable to shareholders of the Company amounted to approximately RMB9,554,000, representing a decrease of approximately RMB1,149,000 in loss as compared with that of in the first half of 2021. The basic loss per share as at 30 June 2022 was approximately RMB0.016 (the basic loss per share as at 30 June 2021: RMB0.017). The loss attributable to shareholders for the first half of 2022 was mainly due to the decline in commercial activities and market demand owing to recurring epidemic outbreaks in certain regions in Mainland China, as well as rising prices for materials resulting in a year-on-year decline in gross profit margin to 28%.

Capital Expenditure

For the six months ended 30 June 2022, capital expenditure of the Group amounted to approximately RMB2,851,000, which was mainly used for the acquisitions of production equipment and customization of product molds.

Financial and Liquidity Position

As at 30 June 2022, the total assets of the Group amounted to approximately RMB403,724,000 (31 December 2021: RMB457,133,000), controlling shareholder's interests amounted to approximately RMB187,568,000 (31 December 2021: RMB206,015,000); non-controlling interests amounted to approximately RMB(439,000) (31 December 2021: RMB(129,000)); current liabilities amounted to approximately RMB194,546,000 (31 December 2021: RMB225,692,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 1.29 (31 December 2021: 1.27), representing a slight increase.

As at 30 June 2022, the cash and cash equivalents and restricted cash of the Group amounted to approximately RMB77,429,000 (31 December 2021: RMB63,921,000) in aggregate. The outstanding bills receivables from customers amounted to approximately RMB4,918,000 (31 December 2021: RMB10,863,000). The bank loans amounted to approximately RMB124,484,000 (31 December 2021: approximately RMB109,469,000). The gearing ratio of the Group was 66.5% as at 30 June 2022 (31 December 2021: 53.2%), being a ratio of sum of bank loans of RMB124,484,000 (31 December 2021: RMB109,469,000) to total equity.

Management's Discussion and Analysis (continued)

Financial assets at fair value through profit or loss

As at 31 December 2021, the Group's financial assets at fair values through profit or loss included wealth management products in the aggregate principal amount of RMB62,000,000 sponsored and managed by banks. These wealth management products were mainly principal guaranteed short-term and fixed-term deposits with interest income calculated at floating rates linked to the spot exchange rate and gold price.

During the interim period for the six months ended 30 June 2022, the Group arranged wealth management products in the aggregate principal amount of RMB75,000,000 sponsored and managed by banks for deposit period of around 1-month. These wealth management products were also mainly principal guaranteed short-term and fixed-term deposits with interest income calculated at floating rates linked to the spot exchange rate and gold price.

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 2022, the fair value of the Company's investment was RMB19,467,000 (31 December 2021: RMB31,195,000). 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 RMB15,747,000, (31 December 2021: RMB23,517,000) representing approximately 80.9% (31 December 2021: 75.4%) 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 2022, property, plant and equipment of RMB35,119,000 (31 December 2021: RMB4,339,000) and right-of-use assets of RMB7,000,000 (31 December 2021: nil) were pledged as collateral for the Group's bank borrowings of RMB114,900,000 (31 December 2021: RMB15,000,000). As at 30 June 2022, the transferred receivables recognised in bills receivable amounted to RMB2,710,000 (31 December 2021: RMB7,442,000). The amounts repayable under these agreements are presented as secured borrowing of RMB2,692,000 (31 December 2021: RMB7,423,000).

Foreign Currency Risks

The Group mainly operates in Mainland China 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 2022, the Group had more monetary financial liabilities than financial assets outside mainland China.

Management's Discussion and Analysis (continued)

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 did not have any plan for any material investments or capital assets.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2022 (31 December 2021: nil).

Staff

As at 30 June 2022, the Group employed a total of 792 staff members (31 December 2021: 781 staff members). Apart from 19 employees employed in Hong Kong and overseas, all employees of the Group were based in mainland China. The Group determined its remuneration and bonus policies for all employees with reference to the business results and individual performance of the staff. 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 2021, other than those disclosed in this report.

Subsequent events

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 2022 (six months ended 30 June 2021: nil).

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2022 Unaudited	31 December 2021 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	9	101,997	105,928
Right-of-use assets	9	12,313	11,891
Intangible assets	9	5,073	5,889
Investments accounted for using the equity method	10	6,988	7,094
Financial assets at fair value through other comprehensive income	12	19,467	31,195
Deferred income tax assets		4,082	6,661
Other assets		2,243	2,167
Restricted cash	15	–	441
		152,163	171,266
Current assets			
Financial assets at fair value through profit or loss	11	–	62,170
Inventories	13	124,788	112,461
Trade and other receivables	14	49,344	46,836
Other assets		–	920
Restricted cash	15	155	155
Cash and cash equivalents	15	77,274	63,325
		251,561	285,867
Total assets		403,724	457,133
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		9,155	9,155
Other reserves		265,554	274,447
Accumulated losses		(87,141)	(77,587)
		187,568	206,015
Non-controlling interests		(439)	(129)
Total equity		187,129	205,886

Condensed Consolidated Interim Balance Sheet (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2022 Unaudited	31 December 2021 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	16	16,042	16,549
Lease liabilities		3,081	3,518
Deferred income tax liabilities		2,926	5,488
		22,049	25,555
Current liabilities			
Trade and other payables	17	75,600	104,465
Contract liabilities		8,140	26,989
Lease liabilities		2,364	1,318
Borrowings	16	108,442	92,920
		194,546	225,692
Total liabilities		216,595	251,247
Total equity and liabilities		403,724	457,133

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

The interim financial information on pages 8 to 29 were approved by the Board of Directors on 23 August 2022 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	
		2022 Unaudited	2021 Unaudited
Revenue	7	151,755	142,003
Cost of goods sold	8	(108,837)	(98,683)
Gross profit		42,918	43,320
Other income		1,349	1,586
Selling and marketing costs	8	(15,517)	(18,992)
Administrative expenses	8	(18,119)	(17,495)
Research and development expenses	8	(15,168)	(15,371)
Net impairment losses on financial assets		(1,604)	(489)
Other gains/(losses) – net		1,840	(37)
Operating loss		(4,301)	(7,478)
Finance expenses – net	18	(2,605)	(3,100)
Share of loss of investments accounted for using the equity method	10	(106)	(190)
Loss before income tax		(7,012)	(10,768)
Income tax (expenses)/credits	19	(2,561)	14
Loss for the period		(9,573)	(10,754)
Loss attributable to:			
– Shareholders of the Company		(9,554)	(10,703)
– Non-controlling interests		(19)	(51)
		(9,573)	(10,754)
Loss per share for loss attributable to the shareholders of the Company (expressed in RMB per share)			
– Basic	20	(0.016)	(0.017)
– Diluted	20	(0.016)	(0.017)

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	
	2022 Unaudited	2021 Unaudited
Loss for the period	(9,573)	(10,754)
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	(11,728)	(148)
Income tax relating to these items	2,535	(63)
Other comprehensive loss for the period, net of tax	(9,193)	(211)
Total comprehensive loss for the period	(18,766)	(10,965)
Total comprehensive loss for the period attributable to:		
– Shareholders of the Company	(18,456)	(10,948)
– Non-controlling interests	(310)	(17)
	(18,766)	(10,965)

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 2022 (Audited)	9,155	274,447	(77,587)	206,015	(129)	205,886
Comprehensive loss						
Loss for the period	–	–	(9,554)	(9,554)	(19)	(9,573)
Other comprehensive loss	–	(8,902)	–	(8,902)	(291)	(9,193)
Total comprehensive loss	–	(8,902)	(9,554)	(18,456)	(310)	(18,766)
Transactions with shareholders						
Employee share option scheme – value of employee services	–	9	–	9	–	9
Transactions with shareholders	–	9	–	9	–	9
Balance at 30 June 2022 (Unaudited)	9,155	265,554	(87,141)	187,568	(439)	187,129
Balance at 1 January 2021 (Audited)	9,155	258,226	(50,396)	216,985	(872)	216,113
Comprehensive income						
Loss for the period	–	–	(10,703)	(10,703)	(51)	(10,754)
Other comprehensive loss	–	(245)	–	(245)	34	(211)
Total comprehensive loss	–	(245)	(10,703)	(10,948)	(17)	(10,965)
Transactions with shareholders						
Employee share option scheme – value of employee services	–	8	–	8	–	8
Balance at 30 June 2021 (Unaudited)	9,155	257,989	(61,099)	206,045	(889)	205,156

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	
		2022 Unaudited	2021 Unaudited
Cash flows from operating activities			
Cash used in operations		(56,813)	(2,966)
Income tax paid		(767)	(2,025)
Interest paid		(2,475)	(3,187)
Net cash used in operating activities		(60,055)	(8,178)
Cash flows from investing activities			
Acquisition of financial assets at fair value through profit or loss	11	(75,000)	–
Maturity of financial assets at fair value through profit or loss	11	137,485	–
Purchase of property, plant and equipment		(2,414)	(5,825)
Purchase of intangible assets		(51)	(1,986)
Purchase of other assets		(386)	–
Disposals of property, plant and equipment		3	1
Interests received		225	883
Dividend received from an investee company		–	112
Net cash generated from/(used in) investing activities		59,862	(6,815)
Cash flows from financing activities			
Proceeds from borrowings		107,703	116,083
Repayments of borrowings		(92,771)	(85,004)
Principal elements of lease payments		(913)	(873)
Net cash generated from financing activities		14,019	30,206
Net increase in cash and cash equivalents		13,826	15,213
Cash and cash equivalents at beginning of the period	15	63,325	104,430
Exchange gains/(losses) on cash and cash equivalents		123	(31)
Cash and cash equivalents at end of the period	15	77,274	119,612

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 Law (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 in the People’s Republic of China (the “PRC”).

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.

The outbreak of the 2019 Novel Coronavirus (the “COVID-19”) has brought unprecedented challenges and added uncertainties to the economy. During the six months ended 30 June 2022, the Omicron variant resulted in temporary city lockdowns in different cities in the PRC. COVID-19 may affect the financial performance and position of the Group including the decrease in sales orders and delay in production and delivery, as well as the increase in the provision for expected credit losses on trade and other receivables. Since the outbreak of COVID-19, the Group has kept continuous attention on the evolving situation of the COVID-19 and managed actively its impact on the financial position and operating results of the Group.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 condensed consolidated interim financial information is to be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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 2022 for the Group:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations
Annual Improvements to HKFRS Standards 2018–2020	

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 any 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 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning after 1 January 2022 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 2021.

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 2021.

There have been no significant changes in risk management policies during the six months ended 30 June 2022.

5.2 Fair value estimation

The Group's financial assets include cash and cash equivalents, restricted cash, trade and other receivables, financial assets at fair value through profit or loss ("FVTPL") 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 2022	31 December 2021
Level 3		
Financial assets at FVTPL		
– wealth management products (note 11)	–	62,170
Financial assets at FVOCI		
– unlisted equity securities (note 12)	19,467	31,195
	19,467	93,365

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.

Specific valuation techniques used to value financial instruments include:

- 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.

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. The Group assesses the fair value of the Group's level 3 instruments by using valuation techniques.

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

Description	Fair value at 30 June 2022	Fair value at 31 December 2021	Valuation techniques	Unobservable inputs	Range of inputs at 30 June 2022	Range of inputs at 31 December 2021	Relationship of unobservable inputs to fair value
Financial assets at FVOCI – unlisted equity securities	15,747*	23,517*	Market approach	Price Earnings Ratio ("P/E")	9.15 – 16.70	13.56 – 22.53	The higher P/E, the higher fair value
	1,629	5,576	Market approach	Price-to-sales Ratio ("P/S") (31 December 2021:Recent market price per share)	0.32 – 3.53	24	The higher P/S, the higher fair value (31 December 2021: The higher recent market price per share, the higher fair value)
	1,964	1,905	Market approach	Price-to-Book Ratio ("P/B")	0.86 – 1.47	1.02 – 1.77	The higher P/B, the higher fair value
	127	197	Market approach	Price-to-sales Ratio ("P/S")	0.32 – 1.48	4.00 – 7.82	The higher P/S, 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. Since more than 91% of the Group’s revenue and operating results are derived from product line of printers, no segment information has been prepared.

As at 30 June 2022, save as non-current assets amounting approximately RMB1,964,000, the other non-current assets were located in the PRC.

7. Revenue

(a) Revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
Sales of goods – at a point in time		
– Printers	138,818	138,316
– Other products	12,937	3,687
	151,755	142,003

(b) The Group is domiciled in the PRC. The revenue from external customers were as below:

	Six months ended 30 June	
	2022	2021
In the PRC	143,819	137,619
In other countries	7,936	4,384
	151,755	142,003

(c) For the six months ended 30 June 2022, approximately 19% (six months ended 30 June 2021: 19%) of total revenue are derived from a single external customer.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. Expenses by nature

	Six months ended 30 June	
	2022	2021
Raw materials and consumables recognised in cost of goods sold and expenses	104,231	92,248
Employee benefit expenses	29,982	32,122
Depreciation and amortisation	8,265	7,224
Transportation expenses	3,244	3,147
Travel and entertainment expenses	1,747	2,319
Advertising and promotion fees	1,331	1,474
Repairs and maintenance	1,219	1,454
Operating leases	1,015	1,007
Provision for inventories (note 13)	823	2,742
Service fees for product development	829	313
Auditor's remuneration	822	757
Subcontracting charges	271	1,065
Others	3,862	4,669
	157,641	150,541

9. 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 2022					
Opening net book amount as at 1 January 2022	105,928	11,891	48	5,841	123,708
Additions	2,414	1,522	–	51	3,987
Disposals	(47)	–	–	–	(47)
Depreciation and amortisation	(6,298)	(1,100)	–	(867)	(8,265)
Closing net book amount as at 30 June 2022	101,997	12,313	48	5,025	119,383
Six months ended 30 June 2021					
Opening net book amount as at 1 January 2021	107,362	8,545	4,265	6,810	126,982
Additions	5,825	5,987	–	1,986	13,798
Disposals	(13)	(216)	–	–	(229)
Depreciation and amortisation	(5,297)	(1,167)	–	(760)	(7,224)
Closing net book amount as at 30 June 2021	107,877	13,149	4,265	8,036	133,327

As at 30 June 2022, property, plant and equipment of RMB35,119,000 (31 December 2021: RMB4,339,000) and right-of-use assets of RMB7,000,000 (31 December 2021:nil) were pledged as collateral for the Group's bank borrowings (note 16).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. Investments accounted for using the equity method

	Six months ended 30 June	
	2022	2021
Balance at 1 January	7,094	7,933
Share of loss – net	(106)	(190)
Balance at 30 June	6,988	7,743

11. Financial assets at fair value through profit or loss

	Six months ended 30 June	
	2022	2021
Level 3		
Balance at 1 January	62,170	386
Additions	75,000	–
Maturity	(137,485)	–
Fair value gains/(losses) – net	315	(36)
Balance at 30 June	–	350

As at 31 December 2021, the Group's financial assets at fair values through profit or loss included wealth management products sponsored and managed by banks. These wealth management products were mainly principal guaranteed short-term and fixed-term deposits with interest income calculated at floating rates linked to the spot exchange rate and gold price.

Fair value gains/(losses) on financial assets at FVTPL are recognised in "Other gains/(losses) – net" in the condensed consolidated income statement.

12. Financial assets at fair value through other comprehensive income

	Six months ended 30 June	
	2022	2021
Balance at 1 January	31,195	11,178
Fair value losses – net	(11,728)	(148)
Balance at 30 June	19,467	11,030

As at 30 June 2022 and 31 December 2021, amounts represent the Group's medium to long term equity investments in private enterprises.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. Inventories

During the six months ended 30 June 2022, the cost of inventories recognised in consolidated income statement amounted to approximately RMB108,837,000 (six months ended 30 June 2021: RMB98,683,000), which included provision for inventories amounting to approximately RMB823,000 (six months ended 30 June 2021: RMB2,742,000).

14. Trade and other receivables

	Note	As at	
		30 June 2022	31 December 2021
Current			
Trade receivables – third parties	a	31,637	22,784
Less: loss allowance of trade receivables		(2,163)	(472)
		29,474	22,312
Bills receivables	b	4,918	10,863
Less: loss allowance of bills receivables		(13)	(29)
		4,905	10,834
Prepayments			
– Third parties		6,963	4,840
– Related parties	23	21	20
		6,984	4,860
Other receivables			
– Third parties		7,289	7,856
– Related parties	23	1,062	1,415
Less: loss allowance of other receivables			
– Third parties		(354)	(420)
– Related parties	23	(16)	(21)
		7,981	8,830
		49,344	46,836

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. Trade and other receivables (Continued)

- (a) The Group's sales to customers are generally granted with credit terms within 90 days or extended as considered appropriate by the directors of the Company. As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade receivables is as follows:

	As at	
	30 June 2022	31 December 2021
Less than 30 days	15,815	9,087
31–90 days	4,796	8,259
91–180 days	775	2,831
181–365 days	8,414	1,373
Over 365 days	1,837	1,234
	31,637	22,784

The Group applies the simplified approach prescribed by HKFRS 9 to provide for expected credit losses. As at 30 June 2022, trade receivables of approximately RMB15,818,000 (31 December 2021: RMB7,047,000) were past due respectively.

- (b) As at 30 June 2022, bills receivables represent bank acceptance bills (31 December 2021: bank acceptance bills and commercial bills).

As at 30 June 2021, the transferred receivables recognised in bills receivable amounted to RMB2,710,000 (31 December 2021: RMB7,442,000). The amounts repayable under these agreements are presented as secured borrowing (Note 16).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. Cash and cash equivalents and restricted cash

	As at	
	30 June 2022	31 December 2021
Cash at bank and in hand	77,274	63,325
Guarantee deposits		
Current	155	155
Non-current	–	441
	155	596

16. Borrowings

	As at	
	30 June 2022	31 December 2021
Non-current		
Guaranteed bank borrowings (note (a))	1,892	2,046
Secured bank borrowing	14,900	15,000
Less: current portion of non-current borrowings	(750)	(497)
	16,042	16,549
Current		
Secured bank borrowings (note (b))	102,692	7,423
Unsecured bank borrowing	5,000	85,000
Add: current portion of non-current borrowings	750	497
	108,442	92,920
	124,484	109,469

- (a) Bank borrowings of HKD2,213,000 (RMB1,892,000) 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, RMB2,692,000 (31 December 2021:RMB7,423,000) is related to transferred receivables, which are recognised as bills receivables and bear an annualised interest rate of 2.10%.
- (c) Save as the guaranteed bank borrowings disclosed in note (a) and note (b), bank borrowings bear fixed interest rates ranging from 3.85% to 4.05%.

As at 30 June 2022, the remaining bank borrowings of RMB114,900,000 (31 December 2021:RMB15,000,000) were secured by certain property, plant and equipment and right-of-use assets (Note 9).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. Trade and other payables

	As at	
	30 June 2022	31 December 2021
Trade payables – third parties	54,503	66,502
Other payables		
– Third parties	10,180	21,036
– Related parties (note 23)	394	593
Payroll payable	4,584	7,068
Deposits	4,665	4,489
Other taxes payable	878	4,381
Dividends payable	396	396
	75,600	104,465

At 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables based on invoice date is as follows:

	As at	
	30 June 2022	31 December 2021
Less than 30 days	39,608	35,931
31–90 days	12,202	24,724
91–180 days	402	2,454
181–365 days	1,005	1,040
Over 365 days	1,286	2,353
	54,503	66,502

18. Finance expenses – net

	Six months ended 30 June	
	2022	2021
Interest expenses		
– bank borrowings	2,351	2,955
– loan from a non-controlling shareholder	47	45
– lease liabilities	124	116
Exchange losses/(gains) on bank borrowings	83	(16)
	2,605	3,100

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. Income tax expenses/(credits)

	Six months ended 30 June	
	2022	2021
Current income tax		
– PRC corporate income tax	8	–
Deferred income tax	2,553	(14)
	2,561	(14)

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2022 (six months ended 30 June 2021: same).

PRC corporate income tax

During the six months ended 30 June 2022 and 2021, the Group's subsidiaries in the PRC are subject to the China corporate income tax ("PRC 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 PRC, is qualified for high and new technology enterprise status and is therefore subject to a preferential income tax rate of 15%.

PRC dividend withholding tax

Dividends distributed out from the profits generated by the PRC 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 PRC subsidiaries are established in Hong Kong and meet the requirements to the tax treaty arrangements between the PRC and Hong Kong.

During the six months ended 30 June 2022 and 2021, no provision for PRC 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 Law (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)

20. 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 2022.

	Six months ended 30 June	
	2022	2021
Loss attributable to the shareholders of the Company (RMB'000)	(9,554)	(10,703)
Weighted average number of ordinary shares in issue (shares in thousands)	612,882	612,882
Basic and diluted loss per share (RMB per share)	(0.016)	(0.017)

21. Dividends

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

22. Commitments

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

	As at	
	30 June 2022	31 December 2021
Capital commitments No later than 1 year	223	173

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

23. 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 2022 and 2021 were Au Family, the parties controlled by Au Family* and an associate.

* 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 2022 and 2021, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Six months ended 30 June	
	2022	2021
Parties controlled by the Au Family		
– Purchases of goods and services	437	556
– Lease Income	263	–
– Rental expense (short-term leases)	658	705
– Interest expenses arising from lease liabilities	7	–
Au family		
– Interest expenses arising from lease liabilities	8	–

(b) Key management compensation

	Six months ended 30 June	
	2022	2021
Salary and other short-term employee benefits	1,811	1,527
Retirement scheme contribution	62	8
	1,873	1,535

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

23. Significant related party transactions (Continued)

(c) Balances with related parties

	As at	
	30 June 2022	31 December 2021
Other receivables		
– Parties controlled by the Au Family (note (d))	–	53
– An associate (note (e))	1,062	1,362
Prepayments	21	20
	1,083	1,435
Other payables (note (d))	394	593
Lease liability	581	–

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

(e) The balance represents a secured loan, which was due in July 2022 with interest rate of 4.65% per annum, to an associate company Wuhan Hong Rui Da Information Technology Limited Company (“Hong Rui Da”). Hong Rui Da and Kong Yue Electronics & Information Industry (Xinhui) Limited (“Kongyue Information”) entered into an agreement that the loan will be repaid by RMB50,000 per month until the balance is settled.

Other Information

Disclosure of Interests

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

As at 30 June 2022, 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 10 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 2022, 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.

(b) Substantial Shareholders' Interest in the Shares

As at 30 June 2022, 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 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. 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 2022, 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.

Other Information (continued)

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 2021. Since adoption, 2,900,000 share options have been granted on 25 September 2020 under the 2015 Scheme.

The following table summarizes the movements in the Company’s share options during the six months ended 30 June 2022:

Name	Date of grant	Exercise price HK\$	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2022	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>	2,400,000	–	–	(250,000)	–	2,150,000	0.35%	25 September 2021 to 25 September 2026 ^(Note 1)
Total			2,400,000	–	–	(250,000)	–	2,150,000	0.35%	

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 2021 and the six months ended 30 June 2022 are set out below:

Name of Directors

Details of changes

Independent Non-Executive Directors:

Ms. Kan Lai Kuen, Alice

Resigned as an independent non-executive director of Shimao Services Holdings Limited (stock code: 873) and Shimao Properties Holdings Limited (stock code: 813), all companies listed on the Stock Exchange, with effect from 24th August, 2022.

Dr. Zhong Xiaolin

Resigned as a member of the Investment Committee of Ningbo Golinx Equity Investment LLP with effect from 5th August, 2022.

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

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 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 14 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 2022, 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 ongoing restrictions on cross border travels and social distancing caused by the COVID-19 epidemic and 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 25 May 2022. 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 10 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 2022 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 2022.

Other Information (continued)

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, Dr. Zhong Xiaolin and Mr. Yeung Kwok Keung. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 and this report had been reviewed by the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 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, 23 August 2022