



LEADWAY TECH
高維科技

LEADWAY TECHNOLOGY INVESTMENT GROUP LIMITED

高維科技投資集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2086



2024

INTERIM REPORT

CONTENTS

	Pages
CORPORATE INFORMATION	2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	7
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS	8
MANAGEMENT DISCUSSION AND ANALYSIS	16
ADDITIONAL INFORMATION	20



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Mai Zhaoping (Co-Chairman)
Mr. Zhang Xueqin
(Co-Chairman and Chief Executive Officer)
Ms. Mai Qiqi
Mr. Chan Chun Leung
Ms. Xu Tingting
Mr. Wong Chi Ho (resigned on 16 January 2024)

Non-executive Directors

Mr. Mai Ziyue
Mr. Lam Chi Wai
(appointed on 9 February 2024)
Mr. Xing Yi (resigned on 9 February 2024)

Independent Non-executive Directors

Dr. Lin Tat Pang
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

AUTHORISED REPRESENTATIVES

Ms. Xu Tingting
Ms. Lee Ka Man, HKACG, ACG

COMPANY SECRETARY

Ms. Lee Ka Man, HKACG, ACG

AUDIT COMMITTEE

Dr. Lin Tat Pang (Chairman)
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

REMUNERATION COMMITTEE

Dr. Lin Tat Pang (Chairman)
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

NOMINATION COMMITTEE

Mr. Zhang Dingfang (Chairman)
Ms. Xu Tingting
Dr. Lin Tat Pang
Mr. Gu Tianlong

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

REGISTERED OFFICE

190 Elgin Avenue
George Town
Grand Cayman, KY1-9008
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 4108–4110, 41st Floor
Manhattan Place, 23 Wang Tai Road
Kowloon Bay
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman, KY1-9008
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

COMPANY'S WEBSITE ADDRESS

www.leadwayinv.com

STOCK CODE

2086

The board of directors (the “Board”) of Leadway Technology Investment Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 together with the comparative unaudited figures for the corresponding period in 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

	Note	Unaudited six months ended 30 June 2024 \$'000	2023 \$'000
Revenue	3	47,210	45,579
Cost of sales		(22,649)	(21,182)
Gross profit		24,561	24,397
Other income		434	603
Selling and distribution costs		(4,049)	(5,551)
Research and development expenses		(6,763)	(8,041)
Administrative expenses		(11,899)	(15,579)
Profit/(loss) from operations		2,284	(4,171)
Finance costs	4(a)	(179)	(91)
Profit/(loss) before taxation	4	2,105	(4,262)
Income tax	5	–	(101)
Profit/(loss) for the period attributable to the equity shareholders of the Company		2,105	(4,363)
Earnings/(losses) per share	6		
Basic		0.659 cents	(1.365 cents)
Diluted		0.659 cents	(1.365 cents)

The notes on pages 8 to 15 form part of this unaudited interim financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited
(Expressed in Hong Kong dollars)

		Unaudited	
		six months ended 30 June	
		2024	2023
		\$'000	\$'000
Profit/(loss) for the period		2,105	(4,363)
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(675)	(236)
Total comprehensive income for the period		1,430	(4,599)
Attributable to:			
Equity shareholders of the Company		1,430	(4,599)

The notes on pages 8 to 15 form part of this unaudited interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

	Note	Unaudited 30 June 2024 \$'000	Audited 31 December 2023 \$'000
Non-current assets			
Property, plant and equipment	7	7,815	10,373
Intangible assets		7,602	7,383
Defined benefit obligations		216	228
		15,633	17,984
Current assets			
Inventories		26,946	26,811
Trade and other receivables	8	13,033	11,880
Other financial assets		202	212
Current tax recoverable		478	503
Cash and cash equivalents	9	22,983	20,227
		63,642	59,633
Current liabilities			
Trade and other payables	10	13,498	11,029
Lease liabilities		3,420	4,107
		16,918	15,136
Net current assets		46,724	44,497
Total assets less current liabilities		62,357	62,481
Non-current liabilities			
Lease liabilities		2,697	4,251
		2,697	4,251
NET ASSETS		59,660	58,230
CAPITAL AND RESERVES			
Share capital	11	31,956	31,956
Reserves		27,704	26,274
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		59,660	58,230

Leadway Technology Investment Group Limited

5

Interim Report 2024

The notes on pages 8 to 15 form part of this unaudited interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Surplus reserve \$'000	Exchange reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2023	31,956	53,383	4,496	2,870	(2,205)	(12,569)	77,931
Changes in equity for the six months ended 30 June 2023:							
Loss for the period	-	-	-	-	-	(4,363)	(4,363)
Other comprehensive income	-	-	-	-	(236)	-	(236)
Total comprehensive income	-	-	-	-	(236)	(4,363)	(4,599)
Appropriation to surplus reserve	-	-	-	45	-	(45)	-
Balance at 30 June 2023 and 1 July 2023	31,956	53,383	4,496	2,915	(2,441)	(16,977)	73,332
Changes in equity for the six months ended 31 December 2023:							
Loss for the period	-	-	-	-	-	(14,848)	(14,848)
Other comprehensive income	-	-	-	-	(297)	43	(254)
Total comprehensive income	-	-	-	-	(297)	(14,805)	(15,102)
Appropriation to surplus reserve	-	-	-	(36)	-	36	-
Balance at 31 December 2023 and 1 January 2024	31,956	53,383	4,496	2,879	(2,738)	(31,746)	58,230
Changes in equity for the six months ended 30 June 2024:							
Profit for the period	-	-	-	-	-	2,105	2,105
Other comprehensive income	-	-	-	-	(675)	-	(675)
Total comprehensive income	-	-	-	-	(675)	2,105	1,430
Appropriation to surplus reserve	-	-	-	1	-	(1)	-
Balance at 30 June 2024	31,956	53,383	4,496	2,880	(3,413)	(29,642)	59,660

The notes on pages 8 to 15 form part of this unaudited interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

		Unaudited six months ended 30 June	
	Note	2024	2023
		\$'000	\$'000
Operating activities			
Cash generated from/(used in) operations		6,131	(9,027)
Tax paid		(15)	(1)
Net cash generated from/(used in) operating activities		6,116	(9,028)
Investing activities			
Payment for the purchase of property, plant and equipment		(140)	(365)
Expenditure on development projects capitalised		(1,127)	(1,815)
Other cash flows arising from investing activities		363	408
Net cash used in investing activities		(904)	(1,772)
Financing activities			
Capital element of lease rentals paid		(2,241)	(2,269)
Interest element of lease rentals paid		(179)	(91)
Net cash used in financing activities		(2,420)	(2,360)
Net increase/(decrease) in cash and cash equivalents		2,792	(13,160)
Cash and cash equivalents at 1 January		20,227	39,969
Effect of foreign exchange rate changes		(36)	(2)
Cash and cash equivalents at 30 June	9	22,983	26,807

The notes on pages 8 to 15 form part of this unaudited interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim financial report is unaudited but has been reviewed by the audit committee of the Company and it was authorised for issue on 12 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by timing of revenue recognition		
– Point in time	47,128	45,559
– Over time	82	20
	47,210	45,579

(b) Segment reporting

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

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Revenue from external customers		
Disaggregated by geographical location of customers		
– Europe	26,911	21,699
– Asia Pacific	12,211	14,646
– The Americas	7,083	8,049
– Middle East and Africa	1,005	1,185
	47,210	45,579

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Interest on lease liabilities	179	91

(b) Other items

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Amortisation of intangible assets	908	867
Depreciation		
– owned property, plant and equipment	516	565
– right-of-use assets	2,177	2,189
Government subsidies income*	–	(116)
Reversal of impairment losses on trade receivables	(63)	(42)
Reversal of write down of inventories	(82)	(52)
Interest income	363	(408)

* The Group successfully applied for research and development subsidy from government in Shenzhen, the mainland China of \$116,000 during the six months ended 30 June 2023. The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Current tax – Other jurisdictions		
Provision for the year	–	1
Deferred taxation	–	100
Income tax expense	–	101

Notes:

- (i) No provision for Hong Kong Profits Tax has been made in the financial statements for the six months ended 30 June 2024 and 2023 as the Group has sustained losses for taxation purpose.
- (ii) No provision for Philippines Income Tax has been made in the financial statements for the six months ended 30 June 2024 and 2023 as the Group has sustained losses for taxation purpose.
- (iii) No provision for Chinese Mainland Corporate Income Tax has been made in the financial statements for the six months ended 30 June 2024 and 2023 as the Group has sustained losses for taxation purpose.
- (iv) Taxation for other entities is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars unless otherwise indicated)

6 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

The calculation of basic earnings/(losses) per share is based on profit attributable to ordinary equity shareholders of the Company of \$2,105,000 (six months ended 30 June 2023: loss of \$4,363,000) and the weighted average of 319,565,000 (six months ended 30 June 2023: 319,565,000) ordinary shares in issue for the six months ended 30 June 2024.

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share for the six months ended 30 June 2024 and 2023 are the same as the basic earnings/(losses) per share as there are no dilutive potential ordinary shares.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2024, additions to right-of-use assets due to new leases entered during the period was nil (six months ended 30 June 2023: \$906,000). During the six months ended 30 June 2024 and 2023, there were no additions to right-of-use assets due to renewal of existing leases during the period.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of \$140,000 (six months ended 30 June 2023: \$365,000). Items of plant and machinery with a net book value of nil (six months ended 30 June 2023: \$13,000) were disposed of during the six months ended 30 June 2024, resulting in a loss on disposal of nil (six months ended 30 June 2023: \$13,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars unless otherwise indicated)

8 TRADE AND OTHER RECEIVABLES

	30 June 2024 \$'000	31 December 2023 \$'000
Trade receivables, net of loss allowance	7,910	6,662
Other receivables	5,123	5,218
	13,033	11,880

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

	30 June 2024 \$'000	31 December 2023 \$'000
Within 1 month	5,142	6,076
1 to 2 months	2,484	584
2 to 3 months	284	2
	7,910	6,662

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

9 CASH AND CASH EQUIVALENTS

	30 June 2024 \$'000	31 December 2023 \$'000
Cash at bank and on hand	8,825	8,738
Bank deposits maturing within three months when placed	14,158	11,489
Cash and cash equivalents	22,983	20,227

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

10 TRADE AND OTHER PAYABLES

	30 June 2024 \$'000	31 December 2023 \$'000
Trade payables	9,331	6,338
Accruals	2,458	4,145
Receipt in advance from customers	1,709	546
	13,498	11,029

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

	30 June 2024 \$'000	31 December 2023 \$'000
Within 1 month	7,292	2,613
1 to 3 months	2,039	3,361
3 months to 1 year	–	364
	9,331	6,338

11 SHARE CAPITAL

Authorised and issued share capital

	30 June 2024		31 December 2023	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Authorised:				
Ordinary shares of \$0.1 each	1,000,000	100,000	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January and 30 June/31 December	319,565	31,956	319,565	31,956

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars unless otherwise indicated)

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the fair value of the Group’s financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 30 June 2024, the fair value of the treasury bills listed outside Hong Kong held by the Group was \$202,000 (31 December 2023: \$195,000). The costs of these financial assets measured at amortised cost are not materially different from their fair values at 30 June 2024 and 31 December 2023. These instruments fall into level 1 of the fair value hierarchy described above.

During the six months ended 30 June 2024 and year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying amount of the Group’s all other financial instruments carried at costs or amortised costs were not materially different from their fair values as at 30 June 2024 and 31 December 2023.

13 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transaction.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors is as follows:

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Short-term employee benefits	1,188	2,133
Post-employment benefits	25	83
	1,213	2,216

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read alongside the unaudited consolidated financial results of the Group for the six months ended 30 June 2024 (the “Interim Period”).

FINANCIAL REVIEW

Revenue

Revenue for the Interim Period was HK\$47.2 million, representing a 4% increase compared to HK\$45.6 million for the corresponding period in 2023. This positive growth can be attributed to several factors. The awarding of new government tenders in the first half of 2024 significantly boosted our revenue streams, underscoring our continued ability to secure substantial contracts that drive financial performance. Additionally, the introduction of new products has contributed to the revenue increase. These new offerings have been well-received in the market, generating additional sales and reinforcing our commitment to innovation and market responsiveness. The steady revenue growth reflects our strategic focus on expanding our product portfolio and leveraging new business opportunities. We remain optimistic about sustaining this momentum through the second half of 2024 and beyond.

Gross Profit Margin

Gross profit margin for the Interim Period was 52% compared to 54% for the corresponding period in 2023. This slight decrease is primarily due to the competitive pricing environment we faced during the Interim Period. However, we have successfully maintained a similar overall gross profit amount, with gross profit standing at HK\$24.6 million for the Interim Period, compared to HK\$24.4 million for the corresponding period in 2023.

Operating Expenses

Total operating expenses decreased by 22%, from HK\$29.2 million for the corresponding period in 2023 to HK\$22.7 million for the Interim Period. This decrease is mainly due to a reduction in the Group’s headcount, resulting in lower staff costs, and a decrease in other operating expenses due to effective cost-saving measures during the Interim Period.

Statement of Financial Position

As of 30 June 2024, the Group’s net assets amounted to HK\$59.7 million (31 December 2023: HK\$58.2 million). The increase of HK\$1.5 million was due to the net profit of HK\$2.1 million offset by the movement of exchange reserve of HK\$0.6 million during the Interim Period.

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As part of our commitment to ongoing innovation and collaboration, the first half of 2024 was characterized by the successful introduction of the ACR1555U BT NFC Reader and the ACR1552U-A2 WaterGuard NFC Reader. The second half of 2024 will witness the launch of the PocketKey Pro FIDO Security Key, the ACOSJ v3 Open Platform Smart Card, and the WalletMate v2 Mobile Wallet NFC Reader. These strategic introductions and collaborations have been met with positive market feedback, underlining the anticipation for our future product releases.

Turning to our participatory events in 2024, the first half of the year saw our presence at major industry exhibitions like IOTE 2024 in Shanghai and Japan IT Week Spring 2024 in Tokyo. In the latter half of the year, we anticipate our participation in the Global Security Exchange 2024 in the United States, Wireless IOT Tomorrow 2024 in Germany, and Trustech 2024 in France.

The feedback generated from these activities bolsters our industry positioning, with customers perceiving Advanced Card Systems Limited (“ACS”), a wholly-owned subsidiary of the Group, as a trusted and robust supplier. This sentiment augments the anticipation surrounding our upcoming product releases.

In the face of fierce competition within the industry, we persistently strive to maintain our market standing through the continued investment in new product development and product enhancements. We aim to expand our product range, enhance existing core products, and develop business in new markets to address the intense competition.

Confronting the impact of global crises, such as the novel coronavirus disease (COVID-19) pandemic, the Russian-Ukrainian conflict, and the geopolitical tensions between China and the United States, we have deployed specific strategies. Given the reluctance of some of our European customers to execute new purchases, largely attributed to the ongoing conflict and Euro currency volatility, we aim to place more focus towards America and Southeast Asia. Concurrently, we are in the process of revising our current pricing and identifying opportunities for product cost reduction.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In the domain of industry recognition, ACS has made notable strides in 2024, with the WalletMate Mobile Wallet NFC Reader receiving the IOTE 2024 Gold Award for “Innovative Product.” This accolade underscores our commitment to innovation and excellence in product development.

Our marketing and advertising strategy in the latter half of 2024 and into 2025 will be characterised by active participation in tradeshow across different regions. This approach is expected to enhance our visibility and engagement with potential customers, further stimulating interest in our product offerings.

Predicting the growth prospects of the Group for the second half of 2024 and beyond involves some uncertainties, given the current global economic landscape. However, we maintain a positive outlook, anticipating that our innovative new products will stimulate customer purchasing and generate fresh sales revenue.

With respect to our operations in Japan, our Japan office, which reopened in March 2023, is still in the development phase. We plan to allocate additional resources to support the growth of this regional office and market. The expected future development opportunities are positive, and we foresee an upward trajectory in performance in the coming years.

Customers recognise ACS as a strong and reliable supplier in the industry and are looking forward to our upcoming new product releases. The Group’s transition from a loss to a profit position highlights our effective cost-saving strategies and operational efficiencies. The Board has decided this year to close our Philippine office, and this is expected to further streamline our operations, positioning us for sustainable growth.

Regarding our management and financial strategies, no major shifts are expected. Our leadership structure remains stable, supporting our ongoing commitment to stability and growth, even in these challenging economic times.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times, the Group maintains a healthy liquidity position. As of 30 June 2024, the Group’s cash and cash equivalents amounted to HK\$23.0 million (31 December 2023: HK\$20.2 million). The Group’s net assets as at 30 June 2024 were HK\$59.7 million (31 December 2023: HK\$58.2 million).

The Group’s equity capital and the cash generated from operating activities have been applied to fund its working capital and other operational needs. The Group recorded a net cash inflow in operating activities of HK\$6.1 million (2023: net cash outflow of HK\$9.0 million) for the Interim Period, attributed to better cash management and increased efficiency in daily operations. The Group recorded a net cash outflow in investing activities of HK\$0.9 million (2023: HK\$1.8 million) for the Interim Period due to less capital expenditure on development projects during the Interim Period. The Group recorded a net cash outflow in financing activities of HK\$2.4 million (2023: HK\$2.4 million) for the Interim Period, which was due to the capital and interest elements of lease rentals paid.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The Group’s gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to owners of the Company as of 30 June 2024, was 0% (31 December 2023: 0%).

DISPOSALS AND ACQUISITIONS

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

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 30 June 2024, the Group neither has any capital commitment related to the acquisition of property, plant, and equipment, nor any plan authorised by the Board for other substantial investment or additions of capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

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

PLEDGE OF ASSETS

As of 30 June 2024, the Group did not pledge any of its material assets.

CONTINGENT LIABILITIES

As of 30 June 2024, the Company had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group comprised 91 dedicated full-time employees. Staff costs for the Interim Period amounted to HK\$15.3 million. We remain committed to ensuring that our remuneration policies and packages align with each employee’s qualifications, performance, and experience, as well as the current industry standards. Furthermore, we continue to invest in the growth of our team, offering various training sessions to bolster their understanding of our products and the market landscape.

ADDITIONAL INFORMATION

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and short positions of the directors and chief executives 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 (the “SFO”), pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix C3 of the Listing Rules were as follows:

Long positions in the shares of the Company

				Approximate percentage of the Company’s issued share capital as at 30 June 2024
Name of director	Note	Capacity	Total number of shares held	
Mr. Mai Zhaoping (麥照平先生)	(i)	Interest in controlled corporation	239,215,679	74.85%
Mr. Zhang Xueqin (張學勤先生)	(i)	Interest in controlled corporation	239,215,679	74.85%

Note:

- (i) Mr. Mai Zhaoping and Mr. Zhang Xueqin are parties acting in concert pursuant to an acting in concert deed dated 12 January 2022.

Save as disclosed above, as at 30 June 2024, to the best knowledge of the directors of the Company, none of the directors or their associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

At no time during the Interim Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, so far as is known to the directors or chief executive of the Company, the following shareholders (excluding directors and chief executive of the Company) had interests and short positions of 5% or more in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of shareholder	Notes	Capacity	Long position in ordinary shares of HK\$0.10 each	
			Total number of shares held	Approximate percentage of the Company's issued share capital as at 30 June 2024
Leadway Development Limited ("Leadway Development")	(i)	Beneficial owner	238,889,669	74.75%
Mars Development Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Mars Enterprise Holdings Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Megacore Development Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Megacore International Innovation Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Zhong Zhao Investment Holdings Limited (中兆投資控股有限公司)	(i)	Interest in controlled corporation	239,215,679	74.85%
Premium Financial Limited (永實物業按揭有限公司)	(ii)	Security Interest	238,889,669	74.75%
Sun Speed Holdings Limited (日迅控股有限公司)	(ii)	Security Interest in controlled corporation	238,889,669	74.75%
Mr. Qiu Yong (邱用先生)	(ii)	Security Interest in controlled corporation	238,889,669	74.75%

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(continued)

Notes:

- (i) Leadway Development is held as to 60% by Mars Development Limited and 40% by Megacore Development Limited. Mars Development Limited is held as to 100% by Mars Enterprise Holdings Limited which in turn is held as to 100% by Mr. Mai Zhaoping. Megacore Development Limited is held as to 100% by Megacore International Innovation Limited which in turn is held as to 100% by Zhong Zhao Investment Holdings Limited. Zhong Zhao Investment Holdings Limited is held as to 100% by Mr. Zhang Xueqin. Mr. Mai Zhaoping and Mr. Zhang Xueqin are parties acting in concert pursuant to an acting in concert deed dated 12 January 2022. Mars Development Limited, Mars Enterprise Holdings Limited, Mr. Mai Zhaoping, Megacore Development Limited, Megacore International Innovation Limited, Zhong Zhao Investment Holdings Limited and Mr. Zhang Xueqin are therefore deemed to be interested in shares held by Leadway Development under the SFO.
- (ii) On 27 August 2019, Leadway Development, the controlling shareholder (as defined in the Listing Rules) of the Company entered into a share charge agreement with Premium Financial Limited, pursuant to which Leadway Development agreed to pledge 238,889,669 shares in the issued share capital of the Company in favour of Premium Financial Limited, for the purpose of securing a loan granted by independent third parties of the Company to Leadway Development.

Therefore, the records in the register to be kept under section 336 of the SFO were updated that (i) Premium Financial Limited, Sun Speed Holdings Limited and Mr. Qiu Yong are interested in 238,889,669 shares as security interest; and (ii) interest in 238,889,669 shares held by Leadway Development, Mars Development Limited, Mars Enterprise Holdings Limited, Mr. Mai Zhaoping, Megacore Development Limited, Megacore International Innovation Limited, Zhong Zhao Investment Holdings Limited and Mr. Zhang Xueqin were provided as security to a person other than a qualified lender.

Save as disclosed above, as at 30 June 2024 and to the best knowledge of the directors and chief executives of the Company, no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept under Section 336 of the SFO.

ADDITIONAL INFORMATION

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

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

CORPORATE GOVERNANCE

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

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

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

ADDITIONAL INFORMATION

AUDIT COMMITTEE

The audit committee of the Company is primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing the Company’s financial controls, internal controls and risk management systems; and reviewing the financial statements of the Company. The audit committee has reviewed the Group’s unaudited consolidated results for the six months ended 30 June 2024 and discussed the financial related matters with the management of the Group.

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

By order of the Board
Leadway Technology Investment Group Limited
Mai Zhaoping Zhang Xueqin
Co-chairmen

Hong Kong, 12 August 2024