

# Vital Innovations Holdings Limited 維太創科控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立的有限公司)

Stock code 股份代號 : 6133



# 2024

## INTERIM REPORT 中期報告



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Rong Xiuli (*Chairperson*)  
Rong Shengli (*Chief Executive Officer*)  
Yin Xuquan (*President*)  
Wong Ho Chun

#### Independent Non-executive Directors

Han Xiaojing  
Wong Pong Chun James  
Leung Man Fai

### COMPANY SECRETARY

Chui Man Lung, Everett

### AUDIT COMMITTEE

Leung Man Fai (*Chairman*)  
Wong Pong Chun James  
Han Xiaojing

### REMUNERATION COMMITTEE

Han Xiaojing (*Chairman*)  
Rong Xiuli  
Wong Pong Chun James

### NOMINATION COMMITTEE

Rong Xiuli (*Chairperson*)  
Han Xiaojing  
Wong Pong Chun James

### RISK MANAGEMENT COMMITTEE

Wong Ho Chun (*Chairman*)  
Rong Xiuli  
Rong Shengli

### AUTHORISED REPRESENTATIVES

Rong Xiuli  
Chui Man Lung, Everett

### AUDITOR

Confucius International CPA Limited  
*Certified Public Accountants*  
Rooms 1501-8, 15/F  
Tai Yau Building  
181 Johnston Road  
Wanchai  
Hong Kong

### PRINCIPAL BANKERS

Shanghai Commercial Bank  
China Everbright Bank

### LEGAL ADVISERS

*As to Hong Kong Law*  
Sidley Austin

*As to PRC Law*

HeNan BoYin Law Firm

*As to Cayman Islands Law*

Conyers Dill & Pearman

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS AND OPERATING HEAD OFFICE IN CHINA

101-1713, 7th Floor, Block 1  
No. 55 Jiachuang Second Road  
Beijing Economic-Technological  
Development Area (Tongzhou)  
Beijing  
China

## Corporate Information (continued)

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 1506, 15/F.  
Tai Tung Building  
8 Fleming Road  
Wanchai  
Hong Kong

### **SHARE REGISTRARS**

#### **Principal Share Registrar and Transfer Office**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

#### **Hong Kong Branch Share Registrar and Transfer Office**

Tricor Investor Services Limited  
17/F., Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### **STOCK CODE**

6133

### **COMPANY'S WEBSITE**

[www.vitalinno.com](http://www.vitalinno.com)

# Management Discussion and Analysis

## BUSINESS REVIEW

Vital Innovations Holdings Limited (the “Company” together with its subsidiaries, the “Group”) is primarily engaged in the provision of products and services including mobile phones, smartphones, Artificial Intelligence (AI), and other equipment and related business which encompasses research and development, design, engineering, material sourcing, supply chain management, logistics, and services activities to target markets. The Group’s main business is to provide a diverse range of services to wholesalers and resellers by leveraging its extensive understanding of telecommunication technology and a large network of technological and service provider partners.

### The World Economy Entering a Differential Stage

Geopolitical uncertainties continue to shape the global business environment. China has emerged from the historic pandemic with notable resilience, supported by effective measures from the Chinese government. This sets the stage for continued economic progress toward the “Great Chinese Renaissance”.

However, significant challenges remain:

1. **Global Market Fragmentation:** The pace of globalization has slowed, leading to a less cohesive global market and industry supply chain. Worldwide demand for products and services is recovering slowly, impacted by weak post-pandemic momentum and tightening global liquidity aimed at combating inflation.
2. **Geopolitical Tensions:** Intense geopolitical conflict, particularly between the USA and China, will dominate the foreseeable future. This competition extends to technological and military domains, with AI advancements like ChatGPT exemplifying the rapid pace of innovation. The race for high-performance chips, algorithms, and talent will be crucial for establishing competencies.

As the world economy struggles to find growth drivers, opportunities will likely be confined to a few high-productivity sectors, with AI playing a pivotal role in future problem-solving.

### Smartphone Market Trends

According to preliminary data from the International Data Corporation (IDC) Worldwide Quarterly Mobile Phone Tracker, global smartphone shipments increased by 7.8% year over year to 289.4 million units in the first quarter of 2024 (1Q24). While the industry is not completely out of the woods, as macroeconomic challenges remain in many markets, this marks the third consecutive quarter of shipment growth— a strong indicator that recovery is well underway.

## Management Discussion and Analysis (continued)

“The smartphone market is emerging from the turbulence of the last two years both stronger and changed.” said Nabila Popal, research director with IDC’s Worldwide Tracker team. “Firstly, we continue to see growth in value and average selling prices (ASPs) as consumers opt for more expensive devices knowing they will hold onto them longer. Secondly, there is a shift in power among the Top 5 companies, which will likely continue as market players adjust their strategies in a post-recovery world.” Global smartphone shipments grew by 8% YoY in the second quarter of 2024, according to the latest research from Counterpoint’s Market Monitor service. Almost all regions registered growth due to improving consumer sentiment and macroeconomic conditions. This marks the third consecutive quarter of growth for the global smartphone market.

Commenting on overall market dynamics, Senior Analyst – Prachir Singh said, “Smartphone shipments registered strong growth as key regions continued on a recovery path. Caribbean and Latin America (CALA) emerged as the fastest-growing region as Chinese OEMs continued their aggressive push, helped by increased demand in smaller markets in the region. Europe and Asia Pacific also registered double-digit growth. The China market grew thanks to strong performance during the 618 sales promotion. Consumer sentiment improved in many European markets, reflected in the growth of smartphone shipments in the region, especially in Western Europe (WE), which grew faster than Central and Eastern Europe (CEE). The Middle East and Africa (MEA) also registered single-digit growth due to a more favorable economic environment as well as the ongoing promotion of Chinese OEMs.”

Even though challenges lie ahead due to soft global demand and strong competition for smartphones, the management team will adopt measures to achieve higher efficiency and implement a defensive strategy to minimize adverse impacts on our business. The management team has chosen to remain relevant to customers at the expense of margin while tightly controlling operating expenses to survive in this tough period.

### **BUSINESS OUTLOOK**

The IDC study presents the latest five-year forecast for smartphone shipments worldwide by operating system. The smartphone market will reach 1.20 billion units shipped in 2024, up 2.8% from the 1.16 billion units shipped in 2023. From there, shipments are projected to hit 1.30 billion units in 2028, the final year of IDC’s forecast period, resulting in a compound annual growth rate (“CAGR”) of 2.3%.

“The strong performance in the smartphone market in the fourth quarter has brought a renewed sense of optimism to our forecast and bodes well for 2024,” said Anthony Scarsella, research director of IDC’s Worldwide Mobile Device Trackers. “With two consecutive years of nearly 3.0% growth ahead of us, dependence on smartphones as necessary devices remains prevalent across all regions and markets– both developed and emerging. Moreover, the arrival of new AI capabilities, potential new form factors, and affordable 5G models will hopefully bring unit volumes back above pre-pandemic levels sooner rather than later.”

## Management Discussion and Analysis (continued)

“5G-powered devices continue to fuel the market as these devices are expected to see nearly 16% growth in 2024 as adoption expands across all regions and markets,” said Anthony Scarsella. “The 15.9% growth in 2024 will be followed by another year of double-digit growth in 2025 (+13.2%), with 5G market share climbing to 74.4%, up from 67.2% in 2024. While 5G devices are becoming less relevant in most developed markets, growth in emerging markets will play a central role in driving shipments throughout the forecast period. With overall smartphone shipments demonstrating a CAGR of 2.3% from 2024 to 2028, 5G shipments are projected to display an impressive 9.1% growth rate for the same period.”

The Group is optimistic about the second half of 2024. Strategies will focus on:

- **Product Mix Optimization:** Introducing more smartphone brands and associated products as an ecosystem for new customers.
- **Market Expansion:** Collaborating with strategic partners to expand into markets in Middle Asia, the Middle East, Russia, and Eastern Europe.
- **Resource Allocation:** Allocating more resources to promote top brands and renowned smartphones to new customers.

### Exploring Future Growth Areas

Based on comprehensive research and analysis, the management team has identified strategic objectives leveraging the Group’s core competencies in advanced manufacturing and technological services:

1. **New Energy:** Investing in renewable energy technologies aligns with China’s strategic policy and promises significant growth potential.
2. **Artificial Intelligence (AI):** AI remains a key area for innovation and growth, with applications across multiple industries.

These sectors are seen as instrumental to China’s strategic growth over the coming decades, and the Group is looking for opportunities and timing to capitalize on them to reshape and strengthen its market position.

The Group remains committed to leveraging its strengths and exploring new opportunities in strategic sectors to ensure sustainable growth in a dynamic and challenging global environment— especially in AI.

## Management Discussion and Analysis (continued)

### FINANCIAL REVIEW

#### Revenue

The Group's revenue increased by approximately RMB143.5 million or 40.8% to approximately RMB495.3 million for the six months ended 30 June 2024 (the "Current Period") from approximately RMB351.8 million for the corresponding period of 2023. The following table sets forth the breakdown of the Group's revenue by product type:

|                             | For the six months ended<br>30 June |                                |
|-----------------------------|-------------------------------------|--------------------------------|
|                             | 2024<br>(unaudited)<br>RMB'000      | 2023<br>(unaudited)<br>RMB'000 |
| Mobile and smart appliances | 495,278                             | 348,776                        |
| AI and other equipment      | –                                   | 2,997                          |
|                             | <b>495,278</b>                      | <b>351,773</b>                 |

The revenue of mobile and smart appliances increased significantly mainly due to the increase of the sales of smartphones from our customers in Hong Kong sold to the market in Middle Asia and Middle East.

The following table sets out the breakdown of the Group's revenue by geographical regions for the periods indicated:

|           | For the six months ended 30 June |            |                                |            |
|-----------|----------------------------------|------------|--------------------------------|------------|
|           | 2024<br>(unaudited)<br>RMB'000   |            | 2023<br>(unaudited)<br>RMB'000 |            |
|           |                                  | %          |                                | %          |
| Hong Kong | 460,056                          | 92.9       | 348,776                        | 99.1       |
| China     | 35,222                           | 7.1        | 2,997                          | 0.9        |
|           | <b>495,278</b>                   | <b>100</b> | <b>351,773</b>                 | <b>100</b> |



## Management Discussion and Analysis (continued)

### Gross profit and gross profit margin

|                             | For the six months ended 30 June       |                          |  |                          |
|-----------------------------|--|--------------------------|--|--------------------------|
|                             | 2024                                   |                          | 2023                                   |                          |
|                             | Gross profit<br>(unaudited)<br>RMB'000 | Gross profit margin<br>% | Gross profit<br>(unaudited)<br>RMB'000 | Gross profit margin<br>% |
| Mobile and smart appliances | 2,060                                  | 0.42                     | 1,251                                  | 0.36                     |
| AI and other equipment      | –                                      | –                        | 91                                     | 3.04                     |
|                             | <b>2,060</b>                           | <b>0.42</b>              | <b>1,342</b>                           | <b>0.38</b>              |

Gross profit amounted to RMB2.1 million for the Current Period, compared with a gross profit of RMB1.3 million for the corresponding period of 2023. The gross profit margin for the Current Period was 0.42% and for the corresponding period of 2023 was 0.38%, which remained stable.

### Taxation

No provision for Hong Kong Profits Tax and Enterprise Income Tax was made as the Group did not have assessable profits during the Current Period.

### Contingent liabilities

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

### Charge on Assets

Save as disclosed in note 20 in this report, as at 30 June 2024, the Group did not have any other charges on assets.

### Liquidity, financial resources and source of funding

The Group's total cash and bank balances decreased by RMB11.8 million from RMB24.3 million as at 31 December 2023 to RMB12.5 million as at 30 June 2024.

As at 30 June 2024, the current ratio (calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates) of the Group was 4.76 as compared with 5.00 as at 31 December 2023.

As at 30 June 2024, the Group had bank loans of approximately RMB18.8 million (31 December 2023: approximately RMB24.4 million). On the same date, the gearing ratio (calculated based on the bank loans as of the respective dates divided by the net assets as of the respective dates) of the Group was 3.81% as compared with 4.84% as at 31 December 2023.

## Management Discussion and Analysis (continued)

### Inventories

The Group's total inventories increased by RMB20.7 million from RMB1.2 million as at 31 December 2023 to RMB21.9 million as at 30 June 2024. In determining the write down of inventories, the Company's management considered the subsequent selling price and ageing of inventories.

### Prepayments and deposit

Prepayments mainly include prepayments for mobile and smart appliances suppliers and AI and other equipment supplier. As at 30 June 2024, the Group has made prepayments amounting to RMB320.8 million (31 December 2023: RMB379.4 million) to mobile and smart appliances suppliers and RMB73.1 million to two independent AI and other equipment suppliers (31 December 2023: one independent AI and other equipment supplier RMB26.9 million).

As at 30 June 2024, the Group had paid a guarantee deposit of RMB190,000,000 to an independent supplier in relation to the stable supply of mobile and smart appliances with reputable brand name to the Group pursuant to the cooperation memorandum entered into between the Group and the supplier. During the six months ended 30 June 2024, the Group had made purchases of the ordered goods of approximately RMB80,456,000 and these ordered goods had been delivered to the Group.

The purchase deposit paid is refundable. The Group has a right to request the supplier to refund the above purchase deposit when the supplier fails to deliver the ordered goods to the Group in accordance with the supply schedule.

### Trade and other receivables

As at 30 June 2024, the carrying amount of trade and other receivables were approximately RMB2,486,000, representing a decrease of approximately RMB433,000 as compared to 31 December 2023.

### Contract liabilities

The Group's contract liabilities increased by RMB10,760,000 from RMB19,361,000 as at 31 December 2023 to RMB30,121,000 as at 30 June 2024 due to an increase in prepayment from customers for purchases of mobile and smart appliances.

### Foreign exchange exposure

The Group undertakes certain operating transactions in foreign currencies, which exposes the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management of the Company manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arise.

### Interim Dividend

For the Current Period, the Board does not recommend the payment of an interim dividend (30 June 2023: Nil).

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, the interests and short positions of the directors (the "Directors") of the Company and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which have been recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise 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 Issuers (the "Model Code") as set out in Appendix C3 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") were as follows:

#### Long positions:

*Ordinary shares of HK\$0.1 each of the Company*

#### (i) Interest in the Company

| Name of Director                       | Nature of interest                   | Number of shares <sup>(1)</sup> | Approximate percentage of issued share capital of the Company <sup>(3)</sup> |
|--|--------------------------------------|---------------------------------|--|
| Rong Xiuli ("Ms. Rong") <sup>(2)</sup> | Interest in a controlled corporation | 480,624,000 (L)                 | 56.54%   |
|  | Personal interest                    | 87,856,000 (L)                  | 10.34%   |
| Rong Shengli                           | Personal interest                    | 3,720,000 (L)                   | 0.44%  |

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Ms. Rong and Mr. Ni Gang ("Mr. Ni") hold 90% and 10% of the entire issued share capital of Winmate Limited ("Wimate") respectively. Ms. Rong is the spouse of Mr. Ni, and therefore, Ms. Rong is deemed to be interested in the shares held by Winmate.
- (3) As at 30 June 2024, the issued share capital is 850,000,000 shares.

## Other Information (continued)

(ii) Interest in associated corporation of the Company

| <b>Name of Director</b>    | <b>Name of associated corporation</b> | <b>Percentage of interest in associated corporation</b> |
|----------------------------|---------------------------------------|---|
| Ms. Rong <sup>(Note)</sup> | Winmate Limited                       | 90%   |

Note: As at 30 June 2024, Winmate held more than 50% of the shares. Therefore, the Company was a subsidiary of Winmate, and Winmate was the holding company and an associated corporation of the Company.

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information (continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, as far as known to the Directors, the following persons or entities (other than a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### Long positions:

*Ordinary shares of HK\$0.1 each of the Company*

| Name of Shareholder             | Nature of interest                          | Number of shares <sup>(1)</sup> | Approximate percentage of issued share capital of the Company <sup>(4)</sup> |
|---------------------------------|---|---------------------------------|--|
| Winmate                         | Beneficial owner                            | 480,624,000 (L)                 | 56.54%   |
| Mr. Ni <sup>(2)</sup>           | Spouse of Ms. Rong                          | 568,480,000 (L)                 | 66.88%   |
| Yardley Finance Limited         | Person having a security interest in shares | 533,480,000 (L)                 | 62.76%   |
| Mr. Chan Kin Sun <sup>(3)</sup> | Interest in a controlled corporation        | 533,480,000 (L)                 | 62.76%   |

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Ms. Rong and Mr. Ni hold 90% and 10% of the entire issued share capital of Winmate respectively. Ms. Rong is the spouse of Mr. Ni, and therefore, Ms. Rong and Mr. Ni are deemed to be interested in the shares held by Winmate.
- (3) Yardley Finance Limited ("Yardley") is owned by Mr. Chan Kin Sun. Therefore, Mr. Chan Kin Sun is deemed to be interested in the shares held by Yardley.
- (4) As at 30 June 2024, the issued share capital is 850,000,000 shares.

Save as disclosed above, as at 30 June 2024, the Company has not been notified by any person (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Other Information (continued)

### HUMAN RESOURCES

As at 30 June 2024, the Group employed 26 employees (30 June 2023: 27 employees) in Hong Kong and Mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

### SHARE OPTION SCHEME

The Company's share option scheme was adopted on 9 June 2015 as an incentive to the Group's employees and business associates (the "Scheme"). Subject to the provisions for early termination of the Scheme, the Scheme shall be valid for a period of ten years from the date of adoption. Details of the Scheme are set out in the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix IV to the prospectus of the Company dated 16 June 2015 and the annual report of the Company for the year ended 31 December 2023.

As at the date of this interim report, no share option had been granted by the Company pursuant to the Scheme. As at 1 January 2024 and 30 June 2024, the number of options available for grant under the Scheme is 85,000,000 shares.

### RESTRICTED SHARE UNIT SCHEME

The Company adopted Restricted Share Unit ("RSU") Scheme (the "RSU Scheme") on 9 June 2015. Details of the RSU Scheme are set out in the section headed "Statutory and General Information – D. RSU Scheme" in Appendix IV to the prospectus of the Company dated 16 June 2015 and the annual report of the Company for the year ended 31 December 2023.

The total number of shares (the "Share(s)") of the Company underlying the RSUs under the RSU Scheme shall not exceed 32,300,000 Shares (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with the RSU Scheme). On 2 November 2016, the Company granted 32,300,000 RSUs to certain grantees pursuant to the RSU Scheme and all the RSUs granted had been unlocked up to the year ended 31 December 2018.

As at the date of this report, all the Shares underlying the RSU Scheme have been granted and vested. As such, no Shares remained available for grant or will be issued under the RSU Scheme as at 1 January 2024 and 30 June 2024.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

## Other Information (continued)

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

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

### **MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Current Period.

### **CHANGE OF DIRECTOR’S INFORMATION**

Save as disclosed below, during the six months ended 30 June 2024 and up to the date of this report, there has been no changes to the information of Directors and chief executives of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

- Mr. Han Xiaojing resigned as an outside director of China National Aviation Fuel Group Limited, a Chinese state-owned enterprise in 2016 Fortune Global 500 list, from January 2024.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (including the sale of treasury shares) during the Current Period. As at 30 June 2024, the Company did not have any treasury shares.

### **MAJOR LITIGATION AND ARBITRATION PROCEEDINGS**

The Group had no major litigation or arbitration proceedings during the Current Period.

### **SIGNIFICANT INVESTMENTS, DISPOSALS AND ACQUISITIONS**

The Group had no significant investments, disposals and acquisitions of subsidiaries, associates or joint ventures during the Current Period.

## Other Information (continued)

### **FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

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

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **SUBSEQUENT EVENTS**

No material events were undertaken by the Group subsequent to 30 June 2024 and up to the date of this report.

### **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) was established in accordance with Rule 3.21 of the Listing Rules with its primary duties of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely Mr. Leung Man Fai (Chairman), Mr. Wong Pong Chun James and Mr. Han Xiaojing.

The Audit Committee has reviewed this interim report and the unaudited condensed consolidated financial information of the Group for the Current Period together with the management of the Group.

### **APPRECIATION**

On behalf of the Board, we would like to express our gratitude to our shareholders for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions.

By order of the Board  
**Vital Innovations Holdings Limited**  
**Rong Xiuli**  
*Chairperson*

Hong Kong, 29 August 2024



## Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

|  | Notes | Six months ended 30 June |             |
|--|-------|--------------------------|-------------|
|  |       | 2024                     | 2023        |
|  |       | RMB'000                  | RMB'000     |
|  |       | (unaudited)              | (unaudited) |
| Revenue  | 6     | <b>495,278</b>           | 351,773     |
| Cost of sales  |       | <b>(493,218)</b>         | (350,431)   |
| Gross profit   |       | <b>2,060</b>             | 1,342       |
| Other (losses) gains, net  | 7     | <b>(190)</b>             | 115         |
| Other income   | 8     | <b>13</b>                | 10          |
| Selling and distribution costs                                       |       | <b>(2,901)</b>           | (2,723)     |
| Administrative expenses  |       | <b>(7,505)</b>           | (7,079)     |
| Finance costs  | 9     | <b>(798)</b>             | (506)       |
| Loss before tax  | 10    | <b>(9,321)</b>           | (8,841)     |
| Income tax   | 11    | <b>–</b>                 | –           |
| Loss and total comprehensive expense for the period                  |       | <b>(9,321)</b>           | (8,841)     |
| Loss and total comprehensive expense for the period attributable to: |       |                          |             |
| Owners of the Company  |       | <b>(9,317)</b>           | (8,838)     |
| Non-controlling interests  |       | <b>(4)</b>               | (3)         |
|  |       | <b>(9,321)</b>           | (8,841)     |
| Loss per share   | 12    |                          |             |
| Basic and diluted (RMB cents)  |       | <b>(1.10)</b>            | (1.04)      |

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2024

|   | Notes | 30 June<br>2024<br>RMB'000<br>(unaudited) | 31 December<br>2023<br>RMB'000<br>(audited) |
|---|-------|---|---|
| <b>Non-current assets</b>                           |       |   |   |
| Equipment   |       | 23  | 24  |
| Right-of-use assets                                 | 21    | 1,053                                     | 542   |
|   |       | <b>1,076</b>                              | 566   |
| <b>Current assets</b>                               |       |   |   |
| Inventories   |       | 21,934                                    | 1,211                                       |
| Trade and other receivables                         | 14    | 2,486                                     | 2,919                                       |
| Prepayments and deposit                             | 15    | 583,871                                   | 596,246                                     |
| Pledged bank deposits                               |       | 3,595                                     | 3,571                                       |
| Cash and bank balances                              |       | 12,470                                    | 24,349                                      |
|   |       | <b>624,356</b>                            | 628,296                                     |
| <b>Current liabilities</b>                          |       |   |   |
| Trade payables                                      | 16    | 8,567                                     | 8,563                                       |
| Accruals and other payables                         | 17    | 60,173                                    | 60,161                                      |
| Contract liabilities                                | 18    | 30,121                                    | 19,361                                      |
| Loan from a related party                           | 19    | 9,127                                     | 9,062                                       |
| Bank loans  | 20    | 18,844                                    | 24,372                                      |
| Lease liabilities                                   | 21    | 731                                       | 563   |
| Tax liabilities                                     |       | 3,531                                     | 3,531                                       |
|   |       | <b>131,094</b>                            | 125,613                                     |
| <b>Net current assets</b>                           |       | <b>493,262</b>                            | 502,683                                     |
| <b>Total assets less current liabilities</b>        |       | <b>494,338</b>                            | 503,249                                     |
| <b>Non-current liability</b>                        |       |   |   |
| Lease liabilities                                   | 21    | 342                                       | –   |
| <b>Net assets</b>                                   |       | <b>493,996</b>                            | 503,249                                     |
| <b>Capital and reserve</b>                          |       |   |   |
| Share capital                                       |       | 67,041                                    | 67,041                                      |
| Share premium and reserves                          |       | 426,955                                   | 436,272                                     |
| <b>Equity attributable to owners of the Company</b> |       | <b>493,996</b>                            | 503,313                                     |
| <b>Non-controlling interests</b>                    |       | –   | (64)  |
| <b>Total equity</b>                                 |       | <b>493,996</b>                            | 503,249                                     |

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

|  | Attributable to owners of the Company |                             |   |  |                                  | Total<br>RMB'000 | Non-<br>controlling<br>interests<br>RMB'000 | Total<br>RMB'000 |
|--|---------------------------------------|-----------------------------|---|--|----------------------------------|------------------|---|------------------|
|  | Share<br>capital<br>RMB'000           | Share<br>premium<br>RMB'000 | Special<br>reserve<br>RMB'000<br>(Note i) | Other<br>reserve<br>RMB'000<br>(Note ii) | Accumulated<br>losses<br>RMB'000 |                  |   |                  |
| At 1 January 2023 (audited)                            | 67,041                                | 236,580                     | 275,060                                   | 19,075                                   | (73,604)                         | 524,152          | (57)  | 524,095          |
| Loss and total comprehensive<br>expense for the period | -                                     | -                           | -   | -  | (8,838)                          | (8,838)          | (3)   | (8,841)          |
| At 30 June 2023 (unaudited)                            | 67,041                                | 236,580                     | 275,060                                   | 19,075                                   | (82,442)                         | 515,314          | (60)  | 515,254          |
| At 1 January 2024 (audited)                            | <b>67,041</b>                         | <b>236,580</b>              | <b>275,060</b>                            | <b>19,075</b>                            | <b>(94,443)</b>                  | <b>503,313</b>   | <b>(64)</b>                                 | <b>503,249</b>   |
| Loss and total comprehensive<br>expense for the period | -                                     | -                           | -   | -  | (9,317)                          | (9,317)          | (4)   | (9,321)          |
| Deregistration of a subsidiary                         | -                                     | -                           | -   | -  | -                                | -                | 68  | 68               |
| <b>At 30 June 2024 (unaudited)</b>                     | <b>67,041</b>                         | <b>236,580</b>              | <b>275,060</b>                            | <b>19,075</b>                            | <b>(103,760)</b>                 | <b>493,996</b>   | <b>-</b>                                    | <b>493,996</b>   |

Notes:

- i. Special reserve represents the profit in respect of the operation of the business unit now comprising the Group which was retained by the legal owner, Beijing Benywave Technology Co., Ltd. ("Benywave Technology"), and the net funding generated by the business unit now comprising the Group retained by Benywave Technology prior to a group reorganisation.
- ii. Other reserve represents the shareholder's contribution attributable to share-based payment.

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

|   | Notes | Six months ended 30 June |             |
|---|-------|--------------------------|-------------|
|   |       | 2024                     | 2023        |
|   |       | RMB'000                  | RMB'000     |
|   |       | (unaudited)              | (unaudited) |
| <b>Net cash used in operating activities</b>  |       | <b>(4,950)</b>           | (35,437)    |
| <b>Investing activities</b>   |       |                          |             |
| Interest received   |       | 13                       | 10          |
| Withdrawal of pledged bank deposits   |       | 7,165                    | 7,148       |
| Placement of pledged bank deposits  |       | (7,189)                  | (7,281)     |
| Purchase of equipment   |       | –                        | (10)        |
| <b>Net cash used in investing activities</b>  |       | <b>(11)</b>              | (133)       |
| <b>Financing activities</b>   |       |                          |             |
| Interest paid   |       | (638)                    | (482)       |
| Repayment of lease liabilities  |       | (643)                    | (672)       |
| Repayment of bank loans   | 20    | (56,177)                 | (35,034)    |
| New bank loans raised   | 20    | 50,540                   | 52,399      |
| <b>Net cash (used in) from financing activities</b>                                   |       | <b>(6,918)</b>           | 16,211      |
| <b>Net decrease in cash and cash equivalents</b>                                      |       | <b>(11,879)</b>          | (19,359)    |
| <b>Effect of foreign exchange rate changes</b>  |       | –                        | 885         |
| <b>Cash and cash equivalents at 1 January</b>   |       | <b>24,349</b>            | 37,583      |
| <b>Cash and cash equivalents at 30 June,</b><br>represented by cash and bank balances |       | <b>12,470</b>            | 19,109      |

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

## 1. GENERAL INFORMATION

Vital Innovations Holdings Limited (the “Company”) was established in the Cayman Islands as an exempted company with limited liability on 12 August 2014. The immediate and ultimate holding company of the Company is Winmate Limited (“Wimate”) which is incorporated in the British Virgin Islands (the “BVI”) and is 90% and 10% owned by Ms. Rong Xiuli (“Ms. Rong”) and Mr. Ni Gang (“Mr. Ni”), the husband of Ms. Rong, respectively.

On 26 June 2015, the Company was listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report. The Company is principally engaged in investment holding and the principal activities of its subsidiaries (together with the Company collectively referred to as the “Group”) are principally engaged in trading of mobile (including mobile telecommunication related components and accessories) and smart appliances and trading of Artificial Intelligence (“AI”) and other equipment in the PRC.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the same as the functional currency of the Company. The interim condensed consolidated financial information have been approved for issue by the board of directors on 29 August 2024.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange. This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023 except as disclosed below.

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's interim condensed consolidated financial statements:

|                                |   |
|--------------------------------|---|
| Amendments to IAS 1            | Classification of Liabilities as Current or Non-current |
| Amendments to IAS 1            | Non-current Liabilities with Covenants                  |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements                           |
| Amendments to IFRS 16          | Lease Liability in a Sale and Leaseback                 |

The application of the above amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

### 4. USE OF JUDGEMENTS AND ESTIMATES

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

### 5. SEGMENT INFORMATION

Information reported to the board of directors of the Company (the "Board"), being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of products sold.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 5. SEGMENT INFORMATION (Continued)

During the six months ended 30 June 2024 and 2023, the Group has two reportable and operating segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Trading of mobile (including mobile telecommunication related components and accessories) and smart appliances (“Trading of mobile and smart appliances”)
- Trading of AI and other equipment

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment assets and liabilities are not disclosed in these interim condensed consolidated financial information as they are not regularly provided to the CODM for the purposes of resource allocation and performance assessment.

#### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

#### Six months ended 30 June (unaudited)

|                                | Trading of mobile and smart appliances |         | Trading of AI and other equipment |         | Total   |         |
|--------------------------------|--|---------|-----------------------------------|---------|---------|---------|
|                                | 2024                                   | 2023    | 2024                              | 2023    | 2024    | 2023    |
|                                | RMB'000                                | RMB'000 | RMB'000                           | RMB'000 | RMB'000 | RMB'000 |
| Segment revenue                | 495,278                                | 348,776 | –                                 | 2,997   | 495,278 | 351,773 |
| Segment loss                   | (841)                                  | (615)   | –                                 | (766)   | (841)   | (1,381) |
| Other (losses) gains, net      |  |         |                                   |         | (190)   | 115     |
| Other income                   |  |         |                                   |         | 13      | 10      |
| Finance costs                  |  |         |                                   |         | (798)   | (506)   |
| Unallocated corporate expenses |  |         |                                   |         | (7,505) | (7,079) |
| Loss before tax                |  |         |                                   |         | (9,321) | (8,841) |

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 5. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment without allocation of other (losses) gains, net, other income, administrative expenses (unallocated) and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

There were no inter-segment sales in both periods.

### 6. REVENUE

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts.

| <b>Six months ended 30 June</b> |             |
|---------------------------------|-------------|
| <b>2024</b>                     | 2023        |
| <b>RMB'000</b>                  | RMB'000     |
| <b>(unaudited)</b>              | (unaudited) |

Revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time as follows:

|                             |                |         |
|-----------------------------|----------------|---------|
| Mobile and smart appliances | <b>495,278</b> | 348,776 |
| AI and other equipment      | –              | 2,997   |
|                             | <b>495,278</b> | 351,773 |



## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 7. OTHER (LOSSES) GAINS, NET

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2024                     | 2023        |
|   | RMB'000                  | RMB'000     |
|   | (unaudited)              | (unaudited) |
| Foreign exchange (losses) gains, net          | (174)                    | 110         |
| Loss on deregistration of a subsidiary (note) | (19)                     | –           |
| Others  | 3                        | 5           |
|   | <b>(190)</b>             | <b>115</b>  |

Note: The Group had dissolved of a PRC subsidiary during the six months ended 30 June 2024, resulting in a loss on deregistration of approximately RMB19,000.

### 8. OTHER INCOME

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2024                     | 2023        |
|  | RMB'000                  | RMB'000     |
|  | (unaudited)              | (unaudited) |
| Interest income on pledged bank deposits | 2                        | 2           |
| Interest income on bank balances         | 11                       | 8           |
|  | <b>13</b>                | <b>10</b>   |

### 9. FINANCE COSTS

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2024                     | 2023        |
|  | RMB'000                  | RMB'000     |
|  | (unaudited)              | (unaudited) |
| Effective interest expenses on bank loans                | 538                      | 482         |
| Effective interest expenses on lease liabilities         | 33                       | 24          |
| Effective interest expenses on loan from a related party | 227                      | –           |
|  | <b>798</b>               | <b>506</b>  |

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2024                     | 2023         |
|  | RMB'000                  | RMB'000      |
|  | (unaudited)              | (unaudited)  |
| Directors' emoluments                        | 1,717                    | 1,714        |
| Other staff costs (excluding directors)      |                          |              |
| – salaries and other allowances              | 3,616                    | 3,604        |
| – retirement benefits schemes contributions  | 188                      | 178          |
| <b>Total staff costs</b>                     | <b>5,521</b>             | <b>5,496</b> |
| Auditor's remuneration                       | 183                      | 184          |
| Cost of inventories recognised as an expense | 493,218                  | 350,431      |
| Depreciation of equipment                    | 1                        | 2            |
| Depreciation of right-of-use assets          | 609                      | 633          |
| Expenses related to short-term leases        | 783                      | 442          |

### 11. INCOME TAX

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax was made as the Group did not have any assessable profits generated during the six months ended 30 June 2024 and 2023.

The Company's subsidiaries incorporated in Hong Kong is subject to the Hong Kong Profits Tax at 16.5% (2023: 16.5%).

Under the Law of the PRC and Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries are 25% from 1 January 2008 onwards.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 12. LOSS PER SHARE

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

|  | <b>Six months ended 30 June</b> |             |
|--|---------------------------------|-------------|
|  | <b>2024</b>                     | 2023        |
|  | <b>RMB'000</b>                  | RMB'000     |
|  | <b>(unaudited)</b>              | (unaudited) |
| Loss:  |                                 |             |
| Loss for the purposes of basic and diluted loss per share, representing loss during the period attributable to the owners of the Company | <b>(9,317)</b>                  | (8,838)     |
|  | <hr/>                           |             |
|  | <b>Six months ended 30 June</b> |             |
|  | <b>2024</b>                     | 2023        |
|  | <b>'000</b>                     | '000        |
|  | <b>(unaudited)</b>              | (unaudited) |
| Number of shares   |                                 |             |
| Number of ordinary shares for the purposes of basic and diluted loss per share   | <b>850,000</b>                  | 850,000     |
|  | <hr/>                           |             |

Diluted loss per share is equal to basic loss per shares as there were no dilutive potential ordinary shares in issue during the six months ended 30 June 2024 and 2023.

### 13. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 14. TRADE AND OTHER RECEIVABLES

|  | <b>30 June<br/>2024<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2023<br>RMB'000<br>(audited) |
|--|---|---|
| Trade receivables                        | –   | 11  |
| Less: allowance for credit losses        | –   | –   |
|  | –   | 11  |
| Other receivables                        |   |   |
| – Other PRC tax receivables              | <b>2,036</b>  | 2,040                                       |
| – Others (note)                          | <b>483</b>  | 901   |
|  | <b>2,519</b>  | 2,941                                       |
| Less: allowance for credit losses        | <b>(33)</b>   | (33)  |
|  | <b>2,486</b>  | 2,908                                       |
| <b>Total trade and other receivables</b> | <b>2,486</b>  | 2,919                                       |

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

|                   | <b>30 June<br/>2024<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2023<br>RMB'000<br>(audited) |
|-------------------|---|---|
| More than 90 days | –   | 11  |

Note: As at 30 June 2024, approximately RMB23,000 (31 December 2023: RMB23,000) included in others was paid to a related party, Beijing Tianlang Huigu Technology Co., Ltd.\* (北京天朗慧谷科技有限公司), for premises rental deposit.

\* The English name of the company is for reference only.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 15. PREPAYMENTS AND DEPOSIT

|  | <b>30 June<br/>2024<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2023<br>RMB'000<br>(audited) |
|--|---|---|
| Prepayments to suppliers for:            |   |   |
| – Mobile and smart appliances (note (a)) | <b>320,821</b>                                      | 379,391                                     |
| – AI and other equipment (note (b))      | <b>73,050</b>                                       | 26,855                                      |
|  | <b>393,871</b>                                      | 406,246                                     |
| Refundable purchase deposit paid for:    |   |   |
| – Mobile and smart appliances (note (c)) | <b>190,000</b>                                      | 190,000                                     |
|  | <b>583,871</b>                                      | 596,246                                     |

#### Notes:

- (a) As at 30 June 2024 and 31 December 2023, the Group had made prepayments to mobile and smart appliances suppliers to purchase mobile telecommunication related components and accessories. During the six months ended 30 June 2024, approximately RMB77,594,000 of the prepayments brought forward from year ended 31 December 2023 for mobile and smart appliances were recognised as purchases upon the receipt of the goods from the suppliers.

As at 30 June 2024, the Group had made prepayments mainly to three independent suppliers to purchase mobile and smart appliances for trading business in a total of approximately RMB311,840,000.

- (b) As at 30 June 2024, the Group had made prepayments to two (31 December 2023: one) independent suppliers to purchase AI and other equipment for trading business in a total of approximately RMB73,050,000 (31 December 2023: RMB26,855,000).

- (c) As at 30 June 2024 and 31 December 2023, the Group had paid a guarantee deposit of RMB190,000,000 to an independent supplier in relation to the stable supply of mobile and smart appliances with reputable brand name to the Group pursuant to the cooperation memorandum entered into between the Group and the supplier. During the six months ended 30 June 2024, the Group had made purchases of the ordered goods of approximately RMB80,456,000 and these ordered goods had been delivered to the Group.

The purchase deposit paid is refundable. The Group has a right to request the supplier to refund the above purchase deposit when the supplier fails to deliver the ordered goods to the Group in accordance with the supply schedule.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 15. PREPAYMENTS AND DEPOSIT (Continued)

The directors of the Company had assessed the background, credibility and supply capacity of all the above suppliers and considered that the suppliers are large-scale enterprises in the PRC and has no default history. The directors of the Company had also assessed the financial capabilities of the above suppliers and identified no potential financial difficulties of these suppliers. Therefore, the directors of the Company considered that the Group is able to recover the prepayments and the purchase deposit from the above suppliers.

### 16. TRADE PAYABLES

|                | <b>30 June</b><br><b>2024</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 31 December<br>2023<br>RMB'000<br>(audited) |
|----------------|---|---|
| Trade payables | <b>8,567</b>  | 8,563                                       |

The following is an ageing analysis of trade payables based on the invoice dates at the end of the reporting period:

|             | <b>30 June</b><br><b>2024</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 31 December<br>2023<br>RMB'000<br>(audited) |
|-------------|---|---|
| Over 1 year | <b>8,567</b>  | 8,563                                       |

The average credit period on purchases of goods is 30-90 days but the credit terms can be longer subject to individual supplier policy and the result of negotiation between the supplier and the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 17. ACCRUALS AND OTHER PAYABLES

|  | <b>30 June</b><br><b>2024</b><br><b>RMB'000</b><br><b>(unaudited)</b> | 31 December<br>2023<br>RMB'000<br>(audited) |
|--|---|---|
| Royalties payable (note (a))               | <b>13,210</b>   | 13,210                                      |
| Staff costs payable                        | <b>838</b>  | 1,294                                       |
| Payable for insurance premium and freights | <b>942</b>  | 942   |
| Interest payable                           | <b>244</b>  | 117   |
| Dividends payable                          | <b>252</b>  | 252   |
| Other PRC tax payables                     | <b>14,042</b>   | 14,029                                      |
| Others payable (note (b))                  | <b>30,645</b>   | 30,317                                      |
|  | <b>60,173</b>   | 60,161                                      |

Notes:

- (a) The royalties payable represents accrued royalty fees in prior years for Original Design Manufacturer (“ODM”) business which was ceased in 2016.
- (b) The others payable includes (i) accrued professional fees and deposits received from ODM business amounting to approximately RMB15,068,000 (31 December 2023: RMB14,974,000); and (ii) amount due to an independent third party of approximately USD2,120,000 (equivalent to approximately RMB15,107,000) (31 December 2023: USD1,954,000 (equivalent to approximately RMB13,837,000)) which is unsecured, non-interest bearing and repayable on demand.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 18. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 30 June 2024 and 31 December 2023 and is expected to be recognised within one year:

|                | <b>30 June<br/>2024</b> | 31 December<br>2023 |
|----------------|-------------------------|---------------------|
|                | <b>RMB'000</b>          | RMB'000             |
|                | <b>(unaudited)</b>      | (audited)           |
| Sales of goods | <b>30,121</b>           | 19,361              |

It represented amounts received from customers in advance in relation to sales of goods. The amounts will be recognised as sales when control of the goods has been transferred, being when the products are delivered and accepted by the customers according to the terms of contracts.

### 19. LOAN FROM A RELATED PARTY

|               | <b>30 June<br/>2024</b> | 31 December<br>2023 |
|---------------|-------------------------|---------------------|
|               | <b>RMB'000</b>          | RMB'000             |
|               | <b>(unaudited)</b>      | (audited)           |
| Mr. Ni (note) | <b>9,127</b>            | 9,062               |

On 11 November 2023, a subsidiary of the Company and Mr. Ni entered into a loan agreement with principal amount of HK\$10,000,000 at interest rate of 5% p.a. and will mature in June 2024. On 10 June 2024, a subsidiary of the Company and Mr. Ni entered into a loan extension agreement to extend the due date to December 2024.

Note: Mr. Ni is the spouse of Ms. Rong Xiuli, the chairperson and executive director of the Company.



## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 20. BANK LOANS

|  | <b>30 June<br/>2024<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2023<br>RMB'000<br>(audited) |
|--|---|---|
| Secured bank loans:                                      |   |   |
| – Trust receipt loans (Note a)                           | <b>14,226</b>                                       | 21,152                                      |
| – Government guarantee instalment bank loans<br>(Note b) | <b>4,618</b>  | 3,220                                       |
|  | <b>18,844</b>                                       | 24,372                                      |

As at 30 June 2024 and 31 December 2023, the Group's secured bank loans were repayable in accordance with scheduled repayment dates as follows:

|  | <b>30 June<br/>2024<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2023<br>RMB'000<br>(audited) |
|--|---|---|
| Carrying amount repayable:   |   |   |
| Within one year  | <b>14,226</b>                                       | 21,152                                      |
| Carrying amount of secured bank loans that contain a<br>repayable on demand clause (shown under current<br>liabilities) but repayable: |   |   |
| Within one year  | <b>1,056</b>  | 879   |
| More than one year but not exceeding two years   | <b>1,095</b>  | 911   |
| More than two years but not exceeding five years   | <b>1,487</b>  | 1,430                                       |
| More than five years   | <b>980</b>  | –   |
|  | <b>4,618</b>  | 3,220                                       |
|  | <b>18,844</b>                                       | 24,372                                      |

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 20. BANK LOANS (Continued)

Note (a)

The terms and conditions of the trust receipt loans are set out below.

| As at 30 June 2024    | Maturity date | Carrying amount<br>RMB'000 |
|-----------------------|---------------|----------------------------|
| Variable-rate:        |               |                            |
| Secured bank loan I   | 15 July 2024  | 3,537                      |
| Secured bank loan II  | 22 July 2024  | 8,554                      |
| Secured bank loan III | 22 July 2024  | 2,135                      |
|                       |               | 14,226                     |

| As at 31 December 2023 | Maturity date    | Carrying amount<br>RMB'000 |
|------------------------|------------------|----------------------------|
| Variable-rate:         |                  |                            |
| Secured bank loan I    | 22 January 2024  | 3,515                      |
| Secured bank loan II   | 14 February 2024 | 7,085                      |
| Secured bank loan III  | 14 February 2024 | 3,540                      |
| Secured bank loan IV   | 20 February 2024 | 7,012                      |
|                        |                  | 21,152                     |

The secured bank loans I to III carried interest at the United States Prime Rate at 8.50% (31 December 2023: 7.50% to 8.50%) per annum.

The secured bank loans I to III were jointly secured by (i) the properties owned by an individual, an independent third party to the Group, (ii) personal guarantee provided by a director of the Company; and (iii) a pledged bank deposit of approximately USD504,000 (equivalent to approximately RMB3,595,000) (31 December 2023: (i) the properties owned by an individual, an independent third party to the Group; (ii) personal guarantee provided by a director of the Company; and (iii) a pledged bank deposit of approximately USD504,000 (equivalent to approximately RMB3,571,000)).

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 20. BANK LOANS (Continued)

Note (b)

The terms and conditions of the government guarantee instalment bank loans (“secured instalment bank loan”) are set out below.

| <b>As at 30 June 2024</b>       | <b>Carrying amount<br/>RMB'000</b> |
|---------------------------------|------------------------------------|
| Variable-rate bank loans:       |                                    |
| Secured instalment bank loan I  | 2,805                              |
| Secured instalment bank loan II | 1,813                              |
|                                 | <hr/> <b>4,618</b>                 |

| As at 31 December 2023         | Carrying amount<br>RMB'000 |
|--------------------------------|----------------------------|
| Variable-rate bank loan:       |                            |
| Secured instalment bank loan I | 3,220                      |
|                                | <hr/>                      |

The last instalment of the secured instalment bank loan I and II are on 6 June 2027 and 2 May 2034 respectively.

The secured instalment bank loan I and II carries interest at 2.5% per annum below the Hong Kong Prime Rate.

The secured instalment bank loan I and II are secured by the guarantees provided by a director of the Company and the government of HKSAR under SME Financing Guarantee Scheme.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 21. LEASES

#### (i) Right-of-use assets

The Group has lease contracts for properties, equipment and warehouse for its operations. The leases terms are generally a period of 2 to 3 years (2023: 3 years).

As at 30 June 2024, the carrying amount of right-of-use assets of approximately RMB1,053,000 (31 December 2023: RMB542,000) represents lease contracts for properties and warehouse used in its operations.

During the six months ended 30 June 2024, the Group entered into a new lease agreement for an office premise and recognised right-of-use assets and lease liabilities of approximately RMB1,120,000 (six months ended 30 June 2023: Nil).

The depreciation of the Group for the six months ended 30 June 2024 was approximately RMB609,000 (six months ended 30 June 2023: RMB633,000).

#### (ii) Lease liabilities

As at 30 June 2024, the carrying amount of lease liabilities was approximately RMB1,073,000 (31 December 2023: RMB563,000).

#### (iii) Amounts recognised in profit or loss

|                                       | Six months ended 30 June |             |
|---------------------------------------|--------------------------|-------------|
|                                       | 2024                     | 2023        |
|                                       | RMB'000                  | RMB'000     |
|                                       | (Unaudited)              | (Unaudited) |
| Interest expense on lease liabilities | 33                       | 24          |
| Expense relating to short-term leases | 783                      | 442         |

#### (iv) Others

During the six months ended 30 June 2024, the total cash outflow for leases amount to approximately RMB1,426,000 (six months ended 30 June 2023: RMB1,114,000).

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 22. RELATED PARTY TRANSACTIONS

#### (a) Name and relationship

| Name  | Relationship                              |
|---|---|
| Beijing Tianlang Huigu Technology Co. Ltd. (“Tianlang”)*<br>北京天朗慧谷科技有限公司          | Company controlled by Ms. Rong and Mr. Ni |
| Beijing Zhuoyue Tianhe Management Co., Ltd. (“Zhuoyue Tianhe”)*<br>北京卓越天和運營管理有限公司 | Company controlled by Ms. Rong            |
| Beijing Benywave Technology Co., Ltd. (“Benywave Technology”)*<br>北京百納威爾科技有限公司    | Company controlled by Ms. Rong and Mr. Ni |
| Mr. Ni  | The husband of Ms. Rong                   |

\* The English name of the above companies are for reference only.

#### (b) Related party transactions

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2024                     | 2023        |
|   | RMB'000                  | RMB'000     |
|   | (Unaudited)              | (Unaudited) |
| Premises rental expenses charged by Tianlang (note (ii))            | 35                       | 94          |
| Equipment rental expenses charged by Benywave Technology (note (i)) | 34                       | 34          |
| Management expenses charged by Zhuoyue Tianhe (note (ii))           | 14                       | 39          |
| Interest expenses charged by Mr. Ni (note (iii))                    | 227                      | –           |

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 22. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Related party transactions (Continued)

Notes:

- (i) During the year ended 31 December 2023, the Group entered into a one-year lease in respect of certain equipment from Benywave Technology. The Group has made lease payment of approximately RMB34,000 (six months ended 30 June 2023: RMB34,000) to Benywave Technology.
- (ii) During the six months ended 30 June 2024, the Group has made the lease payment of approximately RMB35,000 (six months ended 30 June 2023: RMB94,000) to Tianlang where the lease is accounted for as a short-term lease. In addition, the Group made the management fee payment of approximately RMB14,000 (six months ended 30 June 2023: RMB39,000) to Zhuoyue Tianhe.
- (iii) During the six months ended 30 June 2024, the Group accrued the interest expenses of approximately RMB227,000 (six months ended 30 June 2023: Nil) to a related party, Mr. Ni.

#### (c) Remuneration of key management personnel of the Group

|                              | <b>Six months ended 30 June</b> |             |
|------------------------------|---------------------------------|-------------|
|                              | <b>2024</b>                     | 2023        |
|                              | <b>RMB'000</b>                  | RMB'000     |
|                              | <b>(Unaudited)</b>              | (Unaudited) |
| Short term employee benefits | <b>2,282</b>                    | 2,266       |
| Post-employment benefits     | <b>103</b>                      | 104         |
|                              | <b>2,385</b>                    | 2,370       |

#### (d) Guarantee

As at 30 June 2024, a director of the Company has provided personal guarantees as part of the security for the bank loans of approximately RMB18,844,000 (31 December 2023: RMB24,372,000).

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2024

### 23. SHARE-BASED PAYMENT TRANSACTIONS

On 9 June 2015, the Company approved and adopted the restricted share unit scheme (“RSU Scheme”). The purpose of the RSU Scheme is to (i) recognise the contributions of the personnel to the Group or its business; (ii) retain them for the continual operation and development of the Group; and (iii) to attract suitable personnel for the development of the Group. The RSU Scheme shall be valid and effective for a term of 10 years commencing from 9 June 2015, subject to certain conditions and termination clause.

All shares were fully vested in 2018 and no additional shares were granted and outstanding for the six months ended 30 June 2024 and year ended 31 December 2023 in relation to the RSU Scheme granted by the Company.

The participants of the RSU Scheme include (i) employee(s) (whether full time or part time), including any executive director of the Company, its subsidiaries or any entity (the “Invested Entity”) in which the Group holds any equity interest; (ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any person or entity which has contributed to the Group or its business; and (viii) any other person selected by the Board at its sole discretion.

There is no maximum entitlement limit for each participant under the RSU Scheme. Unless otherwise specified by the grant letter, there is no amount payable on application or acceptance of the RSU and no purchase price for such RSU.

The total number of shares (the “Share(s)”) of the Company underlying the RSUs under the RSU Scheme shall not exceed 32,300,000 Shares (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with the RSU Scheme). For the six months ended 30 June 2024 and year ended 31 December 2023, all the Shares underlying the RSU Scheme have been granted and vested. As such, no Shares remained available for grant or will be issued under the RSU Scheme.

Vital Innovations Holdings Limited  
維太創科控股有限公司

