2018 Interim Report

Jolimark

Jolimark Holdings Limited
映美控股有限公司

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

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Corporate Information

Directors

Executive Directors

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

Independent Non-Executive Directors

Mr. Lai Ming, Joseph
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

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Company Secretary

Mr. Lai Sai Wo, Ricky

Authorised Representatives

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

Audit Committee

Mr. Lai Ming, Joseph *(Chairman)*
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

Remuneration Committee

Mr. Yeung Kwok Keung *(Chairman)*
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Lai Ming, Joseph
Mr. Au Kwok Lun

Nomination Committee

Mr. Lai Ming, Joseph *(Chairman)*
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

Auditor

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Certified Public Accountants
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Legal Adviser to the Company as to Hong Kong Law

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Hong Kong

Principal Bankers

China Construction Bank
Agricultural Bank of China
Nanyang Commercial Bank
Xiamen International Bank
China Guangfa Bank

Stock Code

2028

Website

www.jolimark.com

Management's Discussion and Analysis

Business Review

Printer Business

For the six months ended 30 June 2018, the revenue of the Group derived from the printer business amounted to approximately RMB150,253,000, representing a decrease of approximately 6% compared with the same period in 2017, and accounted for approximately 99% of the total revenue of the Group. The decrease in revenue was mainly because demands in the printer market underwent a persistent downturn in 2018.

Other Electronic Products Business

For the six months ended 30 June 2018, the revenue of the Group derived from other electronic products business amounted to approximately RMB1,265,000, representing a decrease of approximately 71% as compared with the corresponding period in 2017, and accounted for approximately 1% of the total revenue of the Group. The decrease in revenue was mainly due to the termination of the OEM electric circuit boards processing business by the Group in 2018.

Future Business Outlook

Guided by the strategic principle of "printer as cloud application", the Company has held a firm footing in its printer business as its core technology and market entry-point, and has extended its operational engagements to 7 business directions and areas in the first half of 2018: printing equipment, cloud printing application, tax control solution, new retail solution, video conference and online video education system, glimmer and smog video processing system, and enterprise cloud application. Accordingly, the Company has set up 4 business units with a matching organisation structure including the persons-in-charge and the required staffing to roll out the work towards the projected objectives. The following is our business outlook for the second half of 2018:

Printing Equipment

After years of development, our printing equipment now comprises a comprehensive range of reliable products, with a large and stable user base. All our products are self-developed, and we have ownership of all of the intellectual property rights. The Company has mastered core technologies for the dot-matrix print head and inkjet head, supported by a supply chain to provide us with an economy of scale, cost advantage and brand influence. In the first half of 2018, the progress of new product development of the Company may be summarised as follows: the research on the red-black dual colour inkjet printer, lottery ticket terminal printer, dot-matrix cloud printer and thermal tag printer have reached completion and has progressed to mass production for sales. The development work on the continuous paper feeding inkjet printer, red-black dual colour self-service invoice machine, 57mm portable dox-matrix printer, machine core and embedded model, 82-column high-speed bill statement printer, 110-column flatbed paper feeding bill statement printer and invoice printing & verification dual-function machine have also been completed and has progressed to trial production. New projects in the pipeline included two types of colour inkjet printers (all-in-one inkjet head and continuous ink feeding), medical-only inkjet printer, colour inkjet tag printer, 136-column flatbed paper feeding bill statement printer, portable thermal printer, self-operated vending machine and 3-joint automatic porcelain paper cutter. The seamless synchronisation between the schedule for new product launches and projects under research has laid a good foundation for the Company's upscale transformation and continual improvement of competitiveness.

Cloud Printing Application

As mobile Internet access becomes more popular, mobile office is becoming more and more popular as a mode of conducting business, and there is a solid demand for cloud printing in the market. Cloud printing is the most important achievement in the Company's research and development in recent years and is now being gradually transformed into a tool for us to gain access to new markets and to expand our market share. It is also a core technology to help us upgrade our market position. The Company has completed the development of the Jolimark open printing platform which aims to service multiple industries with a requirement for security, reliability, usability, low cost and versatility. The platform helps third-party users to develop their cloud printing capabilities with efficiency and convenience. Supported devices on the platform include thermal printers, tag printers, dot-matrix mini printers, dot-matrix flatbed paper feeding printers and inkjet printers. The platform is compatible with Wi-Fi, Ethernet, 4G, Bluetooth, and GPRS. Empowered by the API outlet, third-party commercial users can use our Jolimark cloud printing to gain quick access to its open platform and satisfy their different cloud printing requirements according to their business scenarios. With distributed server structure and cluster service capability, it can support over 1 million desktop printers online and 100,000 simultaneous cloud printer requests. In addition to developing its cloud printing open platform, the Company also develops a variety of cloud printing solutions compatible with its products according to the needs of different industries. For lottery self-service terminal, customers can choose numbers, make payment and print the tickets themselves without the help of staff by scanning the QR code on the terminal with their cell phone. In this way, any convenience store can set up a lottery dispensing spot as the cost of establishing a lottery ticket point has been greatly reduced. For apparel industry cloud printing solutions, as the industry often conducts their operational activities as chain stores, franchises, fitting popup stores with online sales, and wholesale, with sale locations all over the country, but sale order, purchase order, warehouse exit invoice, settlement statements and customs forms have to be processed in a centralised manner, cloud printing solutions compatible with mobile devices (such as iPad and smartphones) which are easy to deploy, safe to use, reliable and versatile in types (such as dox-matrix, mini printer and tag cloud printer) are most required for the apparel industry, for which a designated product series has been released by the Company. The development and testing of our homework cloud printers have been completed, which support WeChat document printing and postal printing, mobile app printing. Through WeChat groups, parents can attend to their children's homework and print the homework remotely using homework cloud printing without having to wait for the parents to come home to start printing, a great relief for families where parents and children do not come home at the same time. Document sharing cloud printers and office cloud printers have completed planning and has begun on design and development with a projected launch in the third quarter; Windows service cloud printer is being planned for and in the function design stage with projected launch in the second half of the year.

Tax Control Solution

The Company has been engaged for many years in the research, development and promotion of tax control products and the provision of tax control solutions and has accumulated a wealth of experience in the field of tax control. As an important tax control solution and product provider in China, the Company follows the national tax control policy and has developed corresponding tax control products promptly. In recent years, the government has been actively promoting the use of electronic invoices and the tax bureau requires businesses to provide printed electronic invoices despite the fact that many businesses are still using hard copies for processing reimbursements. In view of this, the Company has developed the "Electronic Invoice Self-Service Cloud Printer" in collaboration with WeChat. Customers can print electronic invoices with the red seal by themselves by scanning a WeChat barcode, solving a headache for both businesses and customers. So far it is the most popular and successful solution for electronic invoice self-service printing, it also comes with value-added services such as advertising and paid printing which have been met with acclaim and approval by the customers and positive market responses. So far market development is running a smooth course, and tax control service providers and distributing agencies have great expectation over the market prospect of the product. Also, according to the tax policy, invoices should include tax file number and the description of goods. The Company has developed the "Jolimark Cloud Invoicing Assistant", which is a piece of software to enable customers to print out invoices with a title by a simple scan of WeChat. It also includes the unique functions of e-mail sending, electronic invoice printing through WeChat code scanning, and publishing advertisements. "Jolimark Cloud Invoicing Assistant" has been integrated with the standard invoice outputs of the two major tax control service providers in the country, Jinxuipan (金税盤) and Xuikongpan (税控盤) by overcoming their technical differences, providing streamlined and standardised invoicing outputs for customers. It supports the issuance of VAT ordinary electronic invoices, VAT-only invoices, and VAT ordinary rolled-out invoices, and makes for a convenient solution for the cashier software (whether proprietary or third-party-developed) used by enterprises or electronic vendors. Further, the Company is planning to develop a business invoice reimbursement management system to resolve the issues arising from electronic invoice self-service printing, verifying invoices and preventing double reimbursements. Other tax control products include: Invoicing All-in-One Machine, Portable Invoicing All-in-One Machine and Electronic Invoicing Self-Service Terminal, etc. The tax control products constitute a powerful, comprehensive solution to satisfy different tax control requirements.

New Retail Solution

The new retail solutions launched by the Company will benefit from the fact that it has the same customer base as the Company's strong tax control business and cloud printing application business, and by using the mobile phone scanning system to access our cloud printing application, users are able to attract customers and advertisers to our new retail business at next to no additional cost. Multiple upgrades were performed in the first half of the year for the Kamo membership system, the core of our new retail products, as the Company continuously improves and diversifies its functionalities. First, the software structure was upgraded and the SaaS structure was implemented through which business users can choose their functions and be charged accordingly, thus lowering the user threshold. Second, a great number of professional management functions were augmented such as membership, shopping mall, dining, cosmetics, hotel, scenery spots, cashier app, service provider and operation management, among others, turning the Kamo system into a versatile management system for multiple industries with greater adaptability and greater functionality. Third, major functions newly included are: the first version of the Kamo app allows for easier promotion and consumer inspection, and added a new module for staff sales which encourages sharing and promotion by staff, thus increasing the appeal of the product to the vendor and service providers. The app, after the upgrade, realises decentralised cashier and supports multi-location order taking for cashiers making the product suitable for both mid- and large restaurants. The dining management system now includes barcode scanning for order taking, queueing, online booking, precise kitchen printing, among other functions, and most importantly it offers connectivity with the electronic invoicing system which paves the way for further development of the Kamo system into an O2O platform fully controlled by the vendor. Further enhancement was performed on the Kamo system to allow for a greater diversity of promotional activities to be performed by the vendors. In order to work in partnership with the new model promoted under our new retail solutions, a new management system for the service providers was introduced to enable service providers to respond more quickly and efficiently to their clients' needs, while the user experience with the service and equipment may be further streamlined and perfected. Furthermore, our 7-inch POS machine has further expanded into overseas markets with users already in trial use and expecting bulk exports in the second half of the year. The hardware product packaged with the new retails, the 13.3-inch POS machine and 5-inch portable POS machine have already entered bulk production and trial production, respectively. The retail self-service terminal and 10.1-inch POS machine have completed research and project commencement, respectively. The latté art printer has completed its prototype development and the related app has also completed its basic function development and is undergoing joint testing. The Manicure printer is also being design and developed.

Video Conference and Online Video Education System

The Company's video conference and online video education system derives from the technology of live broadcast, which enables users to access high definition video conferencing, interactive education and medical diagnosing via the Internet. The system adopts the CDN (content distribution network) technology for video transmission, which can redirect user requests to the closest server location based on real-time network volume and the connectivity, workload, distance from user and response time to adjust the response speed of user visits. The network traffic management function is supplemented by our own vide codec technology which can save bandwidth by 50%, greatly reducing the cost of running video conferences and video education. The technology also supports MVV (multiple viewpoint video) which allows the user to manipulate and control the viewpoint from which to view the video within a certain range, and users can experience the same scene from different perspectives and satisfy their demands for interaction and personalisation. The visual experience is now more authentic as our visual technology goes one step further. The system also features an AR (augmented reality) system which allows users to add soothing images to the otherwise bland and monotonous background of the video of meetings or lectures, thus turning the process of business conferences or classes more enjoyable. At present, the video conferencing and video education systems have completed the development of the streaming medium processing platform with system delay controlled within the desired range. Appropriate video definition is selected automatically according to the bandwidth, and audio and video transmissions are conducted separately which makes the system even more practical.

Glimmer and Smog Video Processing System

Video plays an important role in the management of road transportation, water and air deliveries as well as the management of streets and squares, airports, military security, underwater operation and many others. But under certain circumstances, such as at night, hazy or rainy days, the videos quality may suffer and require special treatment. The Company has invested in the development of a glimmer and smog video processing technology. This technology can cover video recording under circumstances such as glimmer, smog, night, raining and under-water, and can process other environments according to customers' needs. Processed videos has a quality as if it was recorded under perfect lighting and weather conditions, and the time delay of the video processing can be controlled according to the actual requirements. For example, videos of aircraft takeoffs and landings require almost real-time video monitoring. This technology has a high threshold and requires the collaborative efforts of experts from different fields. Upon completion of development, a large number of intellectual property rights such as software copyrights, patent and technical secrets will be created. This lays a solid technological foundation for the Company's venture into the field of glimmer and smog video processing. The system and product will be developed on a generation-by-generation basis. The first generation optical light camera is now under design and development. For the second generation optical light & infrared camera, the light-splitting component is in progress, with the design and development of its core technology, the algorithm for smog elimination and glimmer processing for optical light already completed. The combined algorithm for optical light and near infrared light has also achieved preliminary verification on schedule. The first generation system and product uses the algorithm under our proprietary intellectual property rights and is of a higher quality than the single-camera products without light-splitting on the market. AI (artificial intelligence) functionalities will be added subsequently to achieve automatic recognition of vehicle license plates, human faces, and scene changes, which have applications in transportation, aviation, navigation, military operation, and security.

Enterprise Cloud Application

The Jolimark Cloud Application Platform is now open for use by third-party developers (business or individual), enabling third-party developers to utilise basic cloud printing and the related interface. It also provides a cloud application management platform. Third-party developers using the Jolimark Cloud Application Platform to develop their applications can enjoy promotional assistance by the Company and share profits from paid usage by end users. This will attract third-party developers to use our Jolimark Cloud Application Platform and diversify the application of our cloud printing, especially business uses of our cloud printing, to satisfy more users' demands and stimulate the sales of our cloud printing products. This may also generate a positive feedback loop and the so called "Matthew Effect". Further, the Company will also develop cloud application systems for business use or certain lightweight, practical small cloud application for businesses based on WeChat/Alipay or H5 webpage according to market requirements. For example, a cloud printer user may use simple settings to satisfy their specific cloud application services. Our Jolimark Application Platform will become the leverage point for the SaaS software. Planning for the first version of the Jolimark Cloud Application Platform is now complete and is now under development and is expected to be launched in the third quarter.

Financial Review

Results Summary

For the six months ended 30 June 2018, the Group's turnover amounted to approximately RMB151,518,000, representing a decrease of approximately 7% as compared with the same period last year. The loss attributable to shareholders of the Company amounted to approximately RMB5,646,000, as compared to a profit of RMB11,840,000 in the same period last year. The basic loss per share were approximately RMB0.009 (Earnings per share as at 30 June 2017: RMB0.018). The loss attributable to shareholders was mainly due to the decrease of sales and gross profit in the current period, the increase in research and development expenses of new products and the loss arising from external investments and foreign exchange rates change.

Analysis of Sales and Gross Profit

For the six months ended 30 June 2018, revenue from the printer business amounted to approximately RMB150,253,000, accounting for approximately 99% of total revenue of the Group, whereas the revenue from other electronic products business amounted to approximately RMB1,265,000, accounting for approximately 1% of the revenue of the Group. The consolidated revenue of the Group decreased by approximately 7% as compared with the corresponding period in 2017, which was mainly attributable to the continuous decrease in demand in the printer market and the termination of the OEM electric circuit boards processing business in 2018. The Group's consolidated gross profit margin fell approximately 2% to approximately 36% as compared to the corresponding period of last year. The decrease in gross profit margin is mainly due to the adoption of the relatively competitive promotion policy by the Group in 2018.

Capital Expenditure

For the six months ended 30 June 2018, capital expenditure of the Group amounted to approximately RMB10,487,000, which was mainly used for acquisition of production equipment, the renovation of the research and development building and molds for products.

Financial and Liquidity Position

As at 30 June 2018, the total assets of the Group amounted to approximately RMB489,829,000 (31 December 2017: RMB515,322,000), controlling shareholder's funds amounted to approximately RMB305,874,000 (31 December 2017: RMB344,305,000); current liabilities amounted to approximately RMB102,532,000 (31 December 2017: RMB120,651,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 2.75 (31 December 2017: 2.66). The increase in current ratio was mainly attributable to a decrease of approximately RMB18,119,000 in current liabilities for the period.

As at 30 June 2018, the cash and cash equivalents, restricted cash and financial assets at fair value through profit or loss of the Group amounted to approximately RMB200,988,000 (31 December 2017: RMB249,521,000) in aggregate, whereas the bank loans of the Group amounted to approximately RMB110,938,000 (31 December 2017: RMB80,154,000). The Group was in a net cash position after deducting the loans.

As at 30 June 2018, the outstanding bank acceptance bills received from customers amounted to approximately RMB10,759,000 (31 December 2017: RMB16,682,000).

Pledge of Assets

As of 30 June 2018, deposits with certain banks totaling RMB64,960,000 (31 December 2017: RMB57,960,000) were used as security for bank loans facilities, i.e. onshore guarantees for offshore loans. The relevant bank deposits will be released upon the settlement of relevant bank loans.

Foreign Currency Risks

The Group mainly operates in Mainland China with most of the transactions denominated and settled in RMB. However, the Group is exposed to foreign exchange risks for assets and liabilities denominated in United States dollars ("US$"), Taiwanese dollars ("TWD"), Euro and Hong Kong dollars ("HK$") arising from importation of certain raw materials and machinery from overseas suppliers, sales of goods to overseas customers and borrowings that are denominated in foreign currencies. As at 30 June 2018, the Group had more monetary financial liabilities than financial assets outside the Mainland China.

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

Acquisition and Disposal

In the first half of 2018, the Group acquired Hou Zhang Gui (猴掌櫃) SaaS Takeaway Ordering Business of Shenzhen Mingyang Information Technology Limited Company at a consideration of RMB1,433,000 through multiple agreements.

Save as disclosed otherwise, the Group did not have any other material acquisitions and disposals during the period under review.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2018 (31 December 2017: nil).

Staff

As at 30 June 2018, the Group employed a total of 1,246 staff (31 December 2017: 1,140 staff). Apart from 33 employees employed in Hong Kong and overseas, the rest were based in mainland China. The Group determined its remuneration and bonus policies for all employees with reference to the business results and individual performance of the staff. In addition, fringe benefits, such as social security insurance, medical allowance and housing provident fund, were provided to ensure the competitiveness of the Group. In addition, the Group has adopted a share option scheme with the objective to reward and incentivize its employees.

Interim Dividend

The Board (the "Board") of directors (the "Directors") of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: nil).

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 30 June 2018 Unaudited	As at 31 December 2017 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	9	**99,565**	94,402
Land use rights	9	**8,156**	8,299
Intangible assets	9	**12,568**	11,911
Investments accounted for using the equity method	10	**11,775**	14,870
Financial asset at fair value through other comprehensive income	4	**3,184**	–
Available-for-sale financial assets	4	**–**	2,556
Deferred income tax assets		**2,776**	2,190
Restricted cash	12	**65,120**	58,120
Other receivables	11	**4,804**	1,781
Total non-current assets		**207,948**	194,129
Current assets			
Inventories		**102,663**	79,795
Trade and other receivables	11	**43,350**	49,997
Financial assets at fair value through profit or loss		**–**	20,092
Restricted cash	12	**254**	253
Cash and cash equivalents		**135,614**	171,056
Total current assets		**281,881**	321,193
Total assets		**489,829**	515,322
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	14	**23,924**	51,297
Other reserves		**254,073**	252,643
Retained earnings		**27,877**	40,365
Non-controlling interests		**(49)**	(455)
Total equity		**305,825**	343,850
LIABILITIES			
Non-current liabilities			
Borrowings	13	**80,938**	50,154
Deferred income tax liabilities		**534**	667
		81,472	50,821
Current liabilities			
Trade and other payables	15	**68,650**	86,317
Contract liabilities	4	**2,568**	–
Current income tax liabilities		**1,314**	4,334
Borrowings	13	**30,000**	30,000
		102,532	120,651
Total liabilities		**184,004**	171,472
Total equity and liabilities		**489,829**	515,322
Net current assets		**179,349**	200,542
Total assets less current liabilities		**387,297**	394,671

The notes on pages 15 to 35 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June 2018 Unaudited	Six months ended 30 June 2017 Unaudited
Revenue	7	**151,518**	163,622
Cost of goods sold		**(97,687)**	(102,116)
Gross profit		**53,831**	61,506
Other income		**3,962**	2,338
Selling and marketing costs		**(19,233)**	(16,622)
Administrative expenses		**(17,536)**	(18,708)
Research and development expenses		**(21,475)**	(16,759)
Other (losses)/gains – net		**(1,197)**	672
Operating (loss)/profit		**(1,648)**	12,427
Finance (costs)/income – net	10	**(3,884)**	1,467
Share of losses of investments accounted for using the equity method	10	**(559)**	(201)
Impairment of investment in an associate		**(828)**	–
(Loss)/Profit before income tax		**(6,919)**	13,693
Income tax credit/(expenses)	16	**629**	(2,243)
(Loss)/Profit for the period		**(6,290)**	11,450
(Loss)/Profit attributable to:			
– Shareholders of the Company		**(5,646)**	11,840
– Non-controlling interests		**(644)**	(390)
		(6,290)	11,450
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)			
– Basic	17	**(0.009)**	0.018
– Diluted	17	**(0.009)**	0.018

The notes on pages 15 to 35 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
(Loss)/Profit for the period	**(6,290)**	11,450
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period	**(6,290)**	11,450
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	**(5,646)**	11,840
– Non-controlling interests	**(644)**	(390)
	(6,290)	11,450

The notes on pages 15 to 35 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2017 (Audited)	24,578	245,913	51,616	(77)	322,030
Comprehensive income					
Profit for the six months ended 30 June 2017	–	–	11,840	(390)	11,450
Total contributions by and distributions to the shareholders of the Company recognised directly in equity:					
Share options granted to employees	–	2,201	–	–	2,201
Exercise of share options	1,161	(243)	–	–	918
Share options forfeited during the period	–	(14)	–	–	(14)
Placing of new shares	25,467	–	–	–	25,467
Dividends	–	–	(22,000)	–	(22,000)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	26,628	1,944	(22,000)	–	6,572
Balance at 30 June 2017 (Unaudited)	51,206	247,857	41,456	(467)	340,052
Balance at 1 January 2018 (Audited)	**51,297**	**252,643**	**40,365**	**(455)**	**343,850**
Comprehensive income					
Loss for the six months ended 30 June 2018	**–**	**–**	**(5,646)**	**(644)**	**(6,290)**
Non-controlling interests on newly set-up subsidiary	**–**	**–**	**–**	**1,050**	**1,050**
Total contributions by and distributions to the shareholders of the Company recognised directly in equity:					
Share options granted to employees	**–**	**1,471**	**–**	**–**	**1,471**
Share options forfeited during the period	**–**	**(41)**	**–**	**–**	**(41)**
Repurchase and cancellation shares of the Company (note 14)	**(14,873)**	**–**	**(6,842)**	**–**	**(21,715)**
Dividends (note 18)	**(12,500)**	**–**	**–**	**–**	**(12,500)**
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	**(27,373)**	**1,430**	**(6,842)**	**–**	**(32,785)**
Balance at 30 June 2018 (Unaudited)	**23,924**	**254,073**	**27,877**	**(49)**	**305,825**

The notes on pages 15 to 35 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Cash flows from operating activities		
Cash used in from operations	**(30,077)**	(54,348)
Income tax paid	**(1,956)**	(4,148)
Interest paid	**(2,178)**	(1,725)
Net cash used in from operating activities	**(34,211)**	(60,221)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(10,487)**	(5,769)
Purchase of intangible assets	**(61)**	–
Acquisition of a financial asset at fair value through other comprehensive income	**(628)**	–
Acquisition of a business, net cash paid (note 8)	**(1,433)**	–
Proceeds from sale of financial assets at fair value through profit or loss	**20,000**	–
Proceeds from disposals of investment in an associate	**600**	
Acquisition of interest in an associate	**–**	(4,000)
Interests received	**839**	1,460
Dividend received from an associate	**910**	600
Net cash generated from/(used in) investing activities	**9,740**	(7,709)
Cash flows from financing activities		
Placing of new shares	**–**	25,467
Repurchase of shares of the Company	**(21,715)**	–
Proceeds from borrowings	**59,078**	30,000
Bank deposits released from borrowings	**–**	57,960
Bank deposits secured for borrowings	**(7,000)**	–
Repayment of borrowings	**(30,000)**	(53,246)
Capital contribution from a non-controlling interest	**1,050**	–
Proceeds from exercise of share options	**–**	918
Dividends paid to the shareholders of the Company	**(12,500)**	(22,000)
Net cash (used in)/generated from financing activities	**(11,087)**	39,099
Net decrease in cash and cash equivalents	**(35,558)**	(28,831)
Cash and cash equivalents at beginning of the period	**171,056**	198,516
Exchange gains/(losses) on cash and cash equivalents	**116**	(602)
Cash and cash equivalents at end of the period	**135,614**	169,083

The notes on pages 15 to 35 form an integral part of this condensed consolidated interim financial information.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. General information

(a) Jolimark Holdings Limited (the "Company") was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Law (2003 Revision) of the Cayman Islands. The address of its registered offices is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(b) The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacture and sale of printers and other electronic products in the People's Republic of China (the "PRC").

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

(d) This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

3. Accounting policies

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

(a) New and amended standards adopted by the Group:

The following new and amended standards are mandatory for adoption for the financial year beginning 1 January 2018 for the Group:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKAS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKAS 28 Amendment	Investments in Associates and Joint Ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Accounting policies (Continued)

(a) New and amended standards adopted by the Group: (Continued)

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this interim. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

Then impact of the adoption of these standards and the new accounting policies are disclosed in note 4. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture	1 January 2019
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS	1 January 2019
HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these condensed consolidated interim financial information. Management is in the process of making an assessment of their impact.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	31 December 2017 Audited	HKFRS 9	HKFRS 15	1 January 2018 Restated
Non-current assets				
Financial assets at fair value through other comprehensive income ("FVOCI")	–	2,556	–	2,556
Available-for-sale financial assets	2,556	(2,556)	–	–
Total assets	2,556	–	–	2,556
Current liabilities				
Trade and other payables	86,317	–	(13,615)	72,702
Contract liabilities	–	–	13,615	13,615
Total liabilities	86,317	–	–	86,317

4. Changes in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments – Impact of adoption

(i) Classification and measurement

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 4(c) below.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale. As a result, assets with a fair value of RMB2,556,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI. There is no impact on the Group's equity as at 1 January 2018.

(ii) Impairment of financial assets

Cash and cash equivalents, restricted cash and trade and other receivables are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Investments and other financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4. Changes in accounting policies (Continued)

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

Investments and other financial assets (Continued)

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows representing solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. Changes in accounting policies (Continued)

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

Investments and other financial assets (Continued)

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its cash and cash equivalents and restricted cash. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. But the identifiable impairment loss was immaterial.

(d) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules modified retrospectively and therefore has not restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the opening balance sheet on 1 January 2018:

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**Remeasurements**	**HKFRS 15 carrying amount 1 January 2018**
Trade and other payables (i)	86,317	(13,615)	–	72,702
Contract liabilities (i)	–	13,615	–	13,615

(i) Presentation of liabilities related to contracts with customers

The Group has voluntarily changed the presentation of the following amounts in the balance sheet to reflect the terminology of HKFRS 15:

Contract liabilities recognised in relation to the payments made by distributors or customers prior to the Group's goods transferring were previously included in trade and other payables (RMB13,615,000 as at 1 January 2018).

There is no impact on the Group's retained earnings as at 1 January 2018.

4. Changes in accounting policies (Continued)

(e) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

Sale of goods

The principal activities of the Group are manufacture and sale of printers and other electronic products. The Group sells the products to end users through third party distributors or corporate customers ("customers") mainly. Sales are recognised when control of the products has transferred, being when the products are delivered to the specific locations designated by the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The printers are often sold with retrospective volume discounts based on aggregate sales over a certain period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the most likely amount, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 – 90 days, which is consistent with market practice. The group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Estimates

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

In preparing of these condensed consolidated interim financial statements, significant judgments were made by management in applying the Group's accounting policies and the key sources of estimation. Uncertainty was the same as those applied to the preparation of the consolidated financial statements for the year ended 31 December 2017.

6. Financial risk management

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

There have been no significant changes in risk management policies during the six months ended 30 June 2018.

6.2 Fair value estimation

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets at FVOCI as at 30 June 2018 are equity investment in four private companies, which are measured at fair value in level 3.

The carrying amounts less impairment provision of trade and other receivables and the carrying amounts of trade and other payables approximate their fair values due to their short term nature.

During the six months ended 30 June 2018, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. Segment information

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

The CODM manages the Group's business from the perspective of different product lines of the Group, i.e. printers and other electronic products.

The CODM assesses the performances of the operating segments based on a measure of segment revenue and segment results. Segment results exclude other income, administrative expenses, research and development expenses, other (losses)/gains – net, finance (costs)/income – net and income tax credit/(expenses), which are centrally managed for the Group.

The segment revenue and results and the reconciliation with profit for the six months ended 30 June 2018 are as follows:

	Printers	Other electronic products	Total
Revenue (from external customers) recognised at a point in time (note (a))	150,253	1,265	151,518
Segment results	32,842	369	33,211
Other income			3,962
Administrative expenses			(17,536)
Research and development expenses			(21,475)
Other losses – net			(1,197)
Finance costs – net			(3,884)
Income tax credit			629
Loss for the period			6,290
Segment results include:			
Share of losses of investments accounted for using the equity method	(559)	–	(559)
Impairment of investment in an associate	(828)	–	(828)
Depreciation and amortisation	(3,249)	(180)	(3,429)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. Segment information (Continued)

The segment revenue and results and the reconciliation with profit for the six months ended 30 June 2017 are as follows:

	Printers	Other electronic products	Total
Revenue (from external customers) (note (a))	159,212	4,410	163,622
Segment results	43,320	1,363	44,683
Other income			2,338
Administrative expenses			(18,708)
Research and development expenses			(16,759)
Other gains – net			672
Finance costs – net			1,467
Income tax expenses			(2,243)
Profit for the period			11,450
Segment results include:			
Share of losses of investments amounted for using the equity method	(201)	–	(201)
Depreciation and amortisation	(2,780)	(451)	(3,231)

(a) Revenues from external customers are for sales of goods. There are no inter-segment sales for the six months ended 30 June 2018 and 2017.

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

	Six months ended 30 June	
	2018	2017
In the PRC	**142,891**	147,699
In other countries	**8,627**	15,923
	151,518	163,622

(c) For the six months ended 30 June 2018, approximately 9% of total revenue (six months ended 30 June 2017: approximately 10%) are derived from a single external customer, which is attributable to the segment of printers.

(d) As at 30 June 2018, the Group's non-current assets are mainly located in the PRC.

8. Business combinations

During 2017 to 2018, the Group entered into multiple agreements for a business acquisition as follows:

On 5 December 2017, Jiangmen Kong Yue Jolimark Information Technology Limited ("Kong Yue Jolimark"), the subsidiary of the Group, entered into an agreement with Shenzhen Jinxian Corporation Management Consultant Limited ("Jinxian Consultant"), to jointly set up a company, Shenzhen Yingxing Information Technology Limited ("Shenzhen Yingxing"). Kong Yue Jolimark and Jinxian Consultant hold 65% and 35% shares of Shenzhen Yingxing respectively.

Thereafter, Kong Yue Jolimark has entered into agreements with Jinxian Consultant and Shenzhen Mingyang Information Technology Limited Company ("Shenzhen Mingyang") to acquire the customer base embedded in its Takeaway Order System for catering business. Both Jinxian Consultant and Shenzhen Mingyang are controlled by the same shareholder.

Details of the purchase consideration of the assets acquired are as follows:

	RMB'000
Purchase consideration	
Cash paid	1,433

The assets recognised as a result of the acquisition are as follows:

	Fair Value RMB'000
Property, plant and equipment	350
Add: goodwill (note 9)	1,083
	1,433

The goodwill is attributable to the acquired employee work force and expected synergies. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the acquired property, plant and equipment of RMB350,000 is provisional pending receipt of the final valuations for those assets.

Revenue of RMB32,000 and a loss of RMB592,000 incurred by Shenzhen Yingxing was included in the condensed consolidated interim income statement since acquisition date on 26 January 2018.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. Property, plant and equipment, land use rights and intangible assets

	Property, plant and equipment	Land use rights	Goodwill	Proprietary technology	Total
Six months ended 30 June 2017					
Opening net book amount as at 1 January 2017	89,488	8,588	5,790	6,891	110,757
Additions	8,005	–	–	–	8,005
Disposals	(352)	–	–	–	(352)
Depreciation and amortisation	(4,393)	(142)	–	(432)	(4,967)
Closing net book amount as at 30 June 2017	92,748	8,446	5,790	6,459	113,443
Six months ended 30 June 2018					
Opening net book amount as at 1 January 2018	**94,402**	**8,299**	**5,790**	**6,121**	**114,612**
Additions (notes (a))	**11,721**	**–**	**1,083**	**61**	**12,865**
Depreciation and amortisation	**(6,558)**	**(143)**	**–**	**(487)**	**(7,188)**
Closing net book amount as at 30 June 2018	**99,565**	**8,156**	**6,873**	**5,695**	**120,289**

(a) In January 2018, the Group entered into agreements with Shenzhen Mingyang to acquire the business of Shenzhen Mingyang with a consideration of RMB1,433,000, the goodwill of RMB1,083,000 arose from the business combination (note 8).

10. Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet for associates are as follows:

	Six months ended 30 June 2018	2017
Balance at 1 January	**14,870**	18,570
Addition	**–**	4,000
Disposal of an associate (note (a))	**(798)**	–
Dividend received from an associate	**(910)**	(600)
Share of losses – net	**(559)**	(201)
Impairment charge (note (b))	**(828)**	–
Balance at 30 June	**11,775**	21,769

(a) In January 2018, the Group entered into agreements with Jiangmen Aerospace Information Company LTD ("Jiangmen Aerospace"), to dispose all its equity interest with consideration of RMB600,000.

(b) During the period, the Group performed an impairment assessment of its investment in Wuhan Hong Ruida Information Technology Limited Company ("Hong Ruida") which cannot meet its target of operation. Impairment charge of RMB828,000 has been made against the carrying amount of RMB3,921,000 in Hong Ruida.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. Trade and other receivables

	As at 30 June 2018	As at 31 December 2017
Trade receivables		
– Third parties (note (a))	**14,674**	16,914
Less: provision for impairment of trade receivables	**–**	–
Trade receivables – net	**14,674**	16,914
Prepayments to third parties	**2,889**	3,331
Bills receivable (note (b))	**10,759**	16,682
Long-term prepaid assets	**2,981**	–
Other receivables		
– Third parties	**13,096**	11,281
– Related parties (note 20)	**4,575**	4,390
Less: provision for impairment of other receivables	**(820)**	(820)
Other receivables – net	**16,851**	14,851
	48,154	51,778

(a) The Group's sales to customers are generally granted with credit terms ranging from 30 to 180 days or extended as considered appropriate by the directors of the Company. As at 30 June 2018, the ageing analysis of the trade receivables is as follows:

	As at 30 June 2018	As at 31 December 2017
Less than 30 days	**7,654**	9,786
31–90 days	**1,701**	1,181
91–180 days	**371**	4,585
181–365 days	**4,075**	621
Over 365 days	**873**	741
	14,674	16,914

The credit quality of trade receivables within credit limit are assessed by reference to historical information about counterparty default rates. As at 30 June 2018, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 30 June 2018, trade receivables of RMB4,948,000 (31 December 2017: RMB1,362,000) were past due but not impaired, which relate to a number of independent customers with no recent history of default.

(b) As at 30 June 2018 and 31 December 2017, bills receivable represent bank acceptance bills.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. Restricted cash

	As at 30 June 2018	As at 31 December 2017
Non-current:		
Guarantee deposits for loans (note (a))	**64,960**	57,960
Other guarantee deposit	**160**	160
	65,120	58,120
Current:		
Other guarantee deposit	**254**	253
	65,374	58,373

(a) The amounts comprised of:

(i) the amount of RMB57,960,000 represents cash deposited in a PRC bank as security for the Group's bank borrowing of HK$60,000,000 (equivalent to RMB50,586,000) (2017: HK$60,000,000 (equivalent to RMB50,154,000)) (note 13(a)).

(ii) the amount of RMB7,000,000 represents cash deposited in a PRC bank as security for the Group's bank borrowings of HK$36,000,000 (equivalent to RMB30,352,000) (2017: nil) (note 13(a)).

13. Borrowings

	As at 30 June 2018	As at 31 December 2017
Non-current:		
Secured bank borrowing (note (a))	**80,938**	50,154
Current:		
Unsecured bank borrowing (note (b))	**30,000**	30,000
	110,938	80,154

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. Borrowings (Continued)

(a) The amounts comprised of:

(i) the bank borrowing of HK$60,000,000 (equivalent to RMB50,586,000), which bears an interest of 1.65% per annum over one-month HIBOR, repayable within three years and secured by the Group's bank deposit of RMB57,960,000 (note 12(a)).

(ii) the bank borrowing of HK$36,000,000 (equivalent to RMB30,352,000), which bears an interest of 1.65% per annum over one-month HIBOR, repayable within two years and secured by the Group's bank deposit of RMB7,000,000 (note 12(a))

(b) Amount represents a bank borrowing of RMB30,000,000, which bears an interest of 4.35% per annum, repayable within one year.

Interest expenses of the borrowings for the six months ended 30 June 2018 amounted to RMB1,456,000 (six months ended 30 June 2017: RMB1,573,000), which have been recognised as finance costs in the income statement.

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2018	31 December 2017
Floating rate:		
– expiring within one year	**94,989**	93,436

14. Share capital and premium

The Company repurchased 28,546,000 of its own shares through the Hong Kong Stock Exchange during the six months ended 30 June 2018 and 20,964,000 shares have been cancelled by 30 June 2018.

The total amount paid to acquire the shares was HK$26,817,000 (equivalent to RMB21,715,000). The cancelled shares amounted HK$18,449,000 (equivalent to RMB14,873,000) has been deducted from share capital and premium while the shares repurchased and have not yet be cancelled amounted HK$8,368,000 (equivalent to RMB6,842,000) has been deducted from retained earnings within shareholders' equity.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. Trade and other payables

	As at	
	30 June 2018	31 December 2017
Trade payables		
– Third parties	**40,027**	27,163
– Related parties (note 20)	**2,891**	2,381
	42,918	29,544
Other payables to third parties	**24,757**	42,183
Dividends payable	**975**	975
Advances from customers (note 4)	**–**	13,615
	68,650	86,317

At 30 June 2018, the ageing analysis of the trade payables base on invoice date, including amounts due to related parties of trading nature, is as follows:

	As at	
	30 June 2018	31 December 2017
Less than 30 days	**30,014**	22,644
31–90 days	**10,966**	4,390
91–180 days	**83**	545
181–365 days	**294**	547
Over 365 days	**1,561**	1,418
	42,918	29,544

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. Income tax credit/(expenses)

	Six months ended 30 June	
	2018	2017
Current income tax		
– PRC corporate income tax	**581**	(1,427)
– PRC dividend withholding tax	**(671)**	–
	(90)	(1,427)
Deferred income tax	**719**	(816)
	629	(2,243)

Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group did not have any assessable profits during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

PRC corporate income tax

The main business of the Group is conducted by Kong Yue Electronics & Information Industry (Xinhui) Limited ("Kongyue Information"), which is a foreign investment company based in Xinhui City, the PRC. The corporate income tax (the "CIT") of Kongyue Information is provided for on the basis of its profit reported in the PRC statutory financial statements, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT rate is 25%. As Kongyue Information has been qualified as High and New Technology Enterprises ("HNTE") for three years from 2017 to 2020, it enjoys a preferential CIT rate at 15% for the six months ended 30 June 2018 (six months ended 30 June 2017: 15%). The effective CIT rate of other Group entities in the PRC is 25% (six months ended 30 June 2017: 25%).

PRC dividend withholding tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed out from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

During the six months ended 30 June 2018, the Group has made a provision for withholding income tax of RMB671,000 in respect of the profit distributed by Kongyue Information (six months ended 30 June 2017: nil). The Group has not made provision of deferred income tax of RMB487,000 (31 December 2017: RMB996,000) for the unremitted earnings of the PRC subsidiaries of RMB9,731,000 (31 December 2017: RMB19,928,000) as the Group does not have a plan to distribute these earnings out of the PRC.

16. Income tax credit/(expenses) (Continued)

Overseas income tax

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

17. Earnings per share

	Six months ended 30 June	
	2018	2017
– Basic		
(Loss)/Profit attributable to the shareholders of the Company (RMB'000)	**(5,646)**	11,840
Weighted average number of ordinary shares in issue (shares in thousands)	**642,027**	654,349
Basic earnings per share (RMB per share)	**(0.009)**	0.018

	Six months ended 30 June	
	2018	2017
– Diluted		
(Loss)/Profit attributable to the shareholders of the Company (RMB'000)	**(5,646)**	11,840
Weighted average number of ordinary shares in issue (shares in thousands)	**642,027**	654,349
Adjustments for share options (shares in thousands)	**–**	550
Weighted average number of ordinary shares for diluted earnings (shares in thousands)	**642,027**	654,899
Diluted earnings per share (RMB per share)	**(0.009)**	0.018

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. Dividends

The directors of the Company do not recommend the declaration of a dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

	Six months ended 30 June	
	2018	2017
Final dividend in respect of the previous financial year, approved and paid during the period of RMB0.019 (2016: RMB0.033) per ordinary share (note (a))	**12,500**	22,000

(a) A final dividend in respect of 2017 of RMB0.019 per ordinary share totaling approximately RMB12,500,000, which has been paid in 2018, was declared at the board meeting on 22 March 2018. The final dividend was distributed out of the share premium of the Company.

19. Commitments

(a) Capital commitments

The future aggregate minimum payments of office building renovation are as follows:

	As at	
	30 June 2018	31 December 2017
No later than 1 year	**1,296**	2,333
Later than 1 year and not later than 5 years	**380**	36
	1,676	2,369

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June 2018	31 December 2017
No later than 1 year	**2,694**	1,177
Later than 1 year and not later than 5 years	**613**	704
	3,307	1,881

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. Significant related party transactions

The directors of the Company regard Au Pak Yin, Tai Noi Kit Family Holding Limited, a company incorporated in the BVI, as the ultimate holding company of the Group.

In addition to those disclosed elsewhere in the condensed consolidated interim financial information, the following transactions were carried out with related parties:

(i) Purchases of goods and services

	Six months ended 30 June	
	2018	2017
Purchases of goods and services (note (a))	**8,915**	10,363

(ii) Handling fees

	Six months ended 30 June	
	2018	2017
Jiangmen Kong Yue Information Products Import Export Limited ("KY Import/Export") (note (a))	**–**	131

(iii) Key management compensation

	Six months ended 30 June	
	2018	2017
Salary and other short-term employee benefits	**2,512**	3,007
Share options	**122**	200
Retirement scheme contribution	**28**	30
	2,662	3,237

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. Significant related party transactions (Continued)

(iv) Period-end balances with related parties

	As at 30 June 2018	As at 31 December 2017
Trade and other receivables		
– Cash advanced to parties controlled by the Au Family* (note (b))	**2,751**	2,609
– Cash advanced to one of the Group's investees (note (c))	**1,824**	1,781
	4,575	4,390
Trade payables to related parties (note (b))	**2,891**	2,381

* Au Family includes Mr. Au Pak Yin, Ms. Tai Noi Kit, Mr. Au Kwok Lun. Mr. Ou Guo Liang and Ms. Ou Ri Ai

(a) Purchase transactions are negotiated with related parties in the normal course of business.

(b) These amounts due from/to related parties are unsecured and interest free; amounts due from related parties are repayable on demand, amounts due to related parties are repayable within 45 days.

(c) The amount due from one of the Group's investees is secured by an individual and due on 11 July 2020.

21. Events occurring after the reporting period

Of the 7,582,000 shares repurchased during the six months ended 30 June 2018, 6,944,000 shares were cancelled on 6 July 2018 and 638,000 shares were cancelled on 17 August 2018. The company repurchased 376,000 shares on 18 July 2018 and 262,000 shares on 19 July 2018, both of which were cancelled on 17 August 2018.

Other Information

Disclosure of Interests

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number of ordinary shares held(Note 1)	Percentage in the relative class of share capital (approx.)
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation(Note 2)	443,361,533 (L)	69.70%
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner	5 (L)	100%

Notes:

1. The letter "L" denotes the Director's long position in such securities.

2. 443,361,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au Pak Yin is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and Other Person's Interest in the Shares

As at 30 June 2018, as far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Company/Name of associated corporation	Capacity	Number of ordinary shares held	Percentage in the relevant class of share capital (approx.)(Note 1)
Kytronics	Company	Beneficial Owner	443,361,533(Note 2)	69.70%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	39,000,000(Note 3)	6.13%(L)

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. 443,361,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au Pak Yin is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO. Ms. Tai Noi Kit is the spouse of Mr. Au Pak Yin. Accordingly, Ms. Tai Noi Kit is deemed to be interested in all the shares in which Mr. Au Pak Yin is interested.

3. 39,000,000 Shares were held by Jayhawk Private Equity Fund II, L.P. which is wholly-owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 30 June 2018, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Share Option Schemes

Details of the share option scheme adopted on 13 June 2005 (the "2005 Scheme") were set out in the published annual report of the Company for the year ended 31 December 2017. In the annual general meeting of the Company held on 18 May 2015, the shareholders approved to terminate the 2005 Scheme and adopted a new share option scheme (the "2015 Scheme"). The adoption of the 2015 Scheme and the termination of the 2005 Scheme will not in any way affect the terms of the options already granted under the 2005 Scheme, which will continue to be valid and subject to the terms of the 2005 Scheme. Since adoption, no options have been granted under the 2015 Scheme.

The following table discloses movements in the Company's share options during the six months ended 30 June 2018:

Name	Date of grant	Exercise price HK$	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2018	Percentage of the issued share capital of the Company as at the date of this report	Exercise period
Employees	10 December 2013	1.18 (Note 2 and 3)	2,123,500	–	–	–	2,123,500	0.34%	10 December 2014 to 10 December 2019 (Note 1)
Employees	17 December 2014	1.70 (Note 4 and 5)	17,755,000	–	–	(500,000)	17,255,000	2.75%	17 December 2015 to 17 December 2020 (Note 1)
Employees	15 May 2015	2.17 (Note 6 and 7)	12,620,000	–	–	(100,000)	12,520,000	1.99%	15 May 2016 to 15 May 2021 (Note 1)
Total			32,498,500	–	–	(600,000)	31,898,500	5.08%	

Notes:

1. The first 25% of the option can be exercisable at any time on and after the first anniversary of the date of grant. The next 25% of the option can be exercisable at any time commencing from the second anniversary of the date of grant. The third 25% of the option can be exercisable at any time commencing from the third anniversary of the date of grant. The remaining 25% of the option can be exercisable at any time commencing from the fourth anniversary of the date of grant.

2. The closing price immediately before the date of grant was HK$1.18.

3. The exercise price was determined by the Board and was fixed at HK$1.18 per share.

4. The closing price immediately before the date of grant was HK$1.72.

5. The exercise price was determined by the Board and was fixed at HK$1.70 per share.

6. The closing price immediately before the date of grant was HK$2.17.

7. The exercise price was determined by the Board and was fixed at HK$2.17 per share.

Buy-back, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2018, the Company repurchased in aggregate 28,546,000 shares of the Company on the Stock Exchange for an aggregate consideration of about HK$26,817,000 (highest repurchase price was HK$1.20 per share, and the lowest repurchase price was HK$0.76 per share). All the repurchased shares were subsequently cancelled. On 18 July 2018 and 19 July 2018, the Company repurchased 376,000 and 262,000 shares respectively, which were cancelled on 17 August 2018. The Directors are of the view that such repurchases have the effect of enhancing the earnings per share of the Group and would benefit the shareholders as a whole. Depending on the market circumstances and subject to the liquidity condition of the Company, the Company may undertake further share repurchases as the Directors may consider to be appropriate.

Save as disclosed above, neither the Company nor any of its subsidiaries bought back, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

Compliance with the Corporate Governance Code

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as in effective from time to time (the "CG Code") during the six months ended 30 June 2018, save for the deviation from code provision E.1.2 below.

In accordance with the requirements of code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. However, due to other business commitments, the chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 21 May 2018.

At the annual general meeting of the Company held on 21 May 2018, there was one executive Director and other independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions contained in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2018 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the six months ended 30 June 2018.

Review of Condensed Consolidated Interim Financial Information

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive Directors. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 had been reviewed by the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 had been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 23 August 2018