Jolimark Holdings Limited
映美控股有限公司

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

2019 Interim Report

Contents

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

Ms. Kan Lai Kuen, Alice
Mr. Meng Yan
Mr. Yeung Kwok Keung

Registered Office

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong

Unit 01, 23A Floor
K. Wah Centre
191 Java Road
North Point
Hong Kong

Company Secretary

Mr. Lai Sai Wo, Ricky

Authorised Representatives

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

Audit Committee

Ms. Kan Lai Kuen, Alice *(Chairman)*
Mr. Meng Yan
Mr. Yeung Kwok Keung

Remuneration Committee

Mr. Yeung Kwok Keung *(Chairman)*
Mr. Meng Yan
Ms. Kan Lai Kuen, Alice
Mr. Au Kwok Lun

Nomination Committee

Ms. Kan Lai Kuen, Alice *(Chairman)*
Mr. Meng Yan
Mr. Yeung Kwok Keung

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Legal Adviser to the Company as to Hong Kong Law

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Stock Code

2028

Website

www.jolimark.com

Management's Discussion and Analysis

Business Review

Printer Business

For the six months ended 30 June 2019, the revenue of the Group derived from the printer business amounted to approximately RMB135,490,000, accounted for approximately 99% of the total revenue of the Group, and representing a decrease of approximately 10% as compared with that for the corresponding period in 2018. The decrease in revenue was mainly attributable to the weak demand for printers and the postponement of the launch of new products in 2019.

Other Electronic Products Business

For the six months ended 30 June 2019, the revenue of the Group derived from the other electronic products business increased slightly by RMB69,000 as compared with that for the corresponding period in 2018 to approximately RMB1,334,000, accounted for approximately 1% of the total revenue of the Group.

Future Business Outlook

Guided by the strategic principle of "printer as cloud application", in the first half of 2019, the Company puts the customers in the fore, probes into the rhythms of market changes, and is eager to accept challenges and innovation. We pursue perfection and strive to provide customers with one-of-a-kind products and services with a unique user experience. Our business units consist of printing equipment, cloud printing and cloud printing application solutions, tax control solutions, new retail business, video conference system and interactive education platform. We made considerable progress. The following is our business outlook for the second half of the year:

Printing Equipment

After years of development, the Company acquired a series of core printing technologies, including driving technology for dot-matrix, thermal, and inkjet printers, specialised technologies for different types of dot-matrix inkjet heads, electric high-speed running time-precise step algorithm, specialised ASIC controlling chips, inkjet automatic interpolating printing technology, and our proprietary continuous-ink flow processor, among others. As a device integrating precision machinery and electronics, printing requires refined mechanical construction which plays a decisive role in determining the reliability and quality of our products. The Company owns a design technology platform for our complex mechanical structures, as well as four-axes paper feeding, auto-shifting paper feeding passage, large ink cartridge continuous ink-feeding anti-spilling technologies and automatic clay paper cutting knife. As for compatible platforms or specifications, it is equipped with Android and iOS wireless printing solutions, uninterrupted printing in power outage or reboot, and anti-invoice loss printing technologies, insertive printing system, power saving management solution, and missing dot-matrix repair technology. In the first half of 2019 we launched new products on the high-speed high-load flatbed paper feeding dot-matrix printer series, which comprises of 80-column, 110-column and 136-column models. They can support 1+6 joint invoice printing as well as 2mm-thick passport printing, adjusting automatically to the thickness of the medium without manual adjustment and capable of continuous printing for 24 hours. The products are suitable for use in public security, taxation, property management centres, administrative offices and commercial, corporate, and office administration. Practical use shows satisfactory effect and is unanimously approved. For our mini-printers, we also launched outstanding products, such as 24-dot dot-matrix mini-printers, which are 30% faster than other 9-dot model and can print texts and QR codes in high definition. For this reason, even small-sized QR codes can be scanned and recognized correctly, making it more appropriate to be used for electronic invoicing as encouraged by the government. The self-operated thermal mini-printer is equipped with electronically controlled paper storage which can prevent jamming and invoice theft and make paper changing easier. Its new anti-invoice loss function makes remote transmission and printing more reliable. The automatic clay knife is durable and is suitable for self-operated machines for printing of tickets for public transport, cinema, charity lottery, and queuing machines. The 57mm and 76mm portable dot-matrix printer is easy to carry, and equipped with lithium batteries for portable printing at any time and any place. It supports dual-connection printing, and the invoice can be kept for a long time, giving it a particular edge for inventory invoices for fruits, seafood and construction materials, delivery confirmation bill for delivery and transportation, ambulance bills, among others where on-site printing is required for seamless transactions. The easy-to-install dot-matrix printer is equipped with the automatic three-ply paper-cutting knife and can accommodate the greatest paper thickness compared to similar machines in the market. It fits customers who need to deal with clients, vendors and cashiers. It also supports dual-colour printing which is good for customers who need to quickly differentiate different types of invoices by colour, such as in the case of order cancellation bills from the back kitchen which have low error tolerance because of the loss it may cause. For inkjet printers, we launched a number of unique products such as the flatbed inkjet printer, which overcomes the challenge of printing on thick paper sheets, continuous feeding and low-noise printing which is rarely achievable by dot-matrix, laser, inkjet and thermal printers. Its low-noise printing finds its best usage in hospitals catering to the needs of nurses and patients, receiving acclaim from medical staff and in-patients as an indispensable equipment. It also supports a variety of texture and large area of printing and is of great help to logistics, hotels, florist boutiques and marriage planners. The dual-colour inkjet printing can print in red and black and on both sides automatically. With its extra-large ink cartridge and water-proof anti-UV ink, it is most suited for red documents printing which finds widespread use in China. Its printing is much lower in cost than inkjet colour printing, and is more eco-friendly than laser printing because it does not emit ozone and dust.

Cloud Printing and Cloud Printing Application Solutions

With cloud printing as an essential service in the era of SaaS, the Company has developed into a cloud printing service provider that is one of the first to set a firm footing in the business of a highly integrated software and hardware service provider. Moreover, the Company has also proposed the ground-breaking principle of "printer as cloud application". By scanning the QR code on the printer with a smartphone or mobile terminal, it can be connected automatically to an operating system. As a breakthrough in the industry, it is a fool-proof, fully customer-oriented functionality, able to activate the services required by customers according to the needed result without having to choose, search or even think about the process. It only takes scanning the relevant printer code to draw out the chosen lottery number, choice of departure time, or account form in cases of buying the lottery ticket, taking the train, or opening a bank account which requires personal information. The Company made a number of significant achievements in these regards, forging two important core technologies, "Jolimark Cloud Printing Open Platform" and "Jolimark Cloud Printing Solutions" which are being turned into leverages to open up new markets and to expand on market shares. In particular, Jolimark Cloud Printing Open Platform is safe, of a high quality, reliable and versatile, easy to deploy, fast and efficient. Jolimark Cloud Printing Platform supports HTML print-friendly coding and visualisable module technology. In a "what you see is what you get" style, it turns complex ESC printing orders into what most developers can understand, helping third-party developers in performing their system integration of cloud printing capacities in an efficient and convenient way. The Company provides standard inputs and private cloud-based inputs up to the customers' choosing in order to satisfy different needs for data security. Currently, the platform supports the cloud printing function of such products as thermal printers, barcode label printing, dot-matrix mini-printers, dot-matrix flatbed printers and inkjet printers. Supported network connections include Wifi, Ethernet, 4G, Bluetooth and GPRS. In the first half of 2019, the Company further optimised and fine-tuned the fundamental system architecture of its Jolimark Cloud Printing Open Platform. The cornerstone system V2.0 has been launched online, a software based on a distributed and centralized structure. The 2.0 version optimised its support for mass dissemination system, providing greater technical support as our user population expands. Secondly, the cloud module technology has been launched, a function which enables Web-based printing layout editing through mouse cursor dragging, providing minimalistic solutions for printing layout design for labels, invoices, and statements. Thirdly, the PC cloud driver is launched, yet another important research brought to fruition in the first half of the year. Through installing standard PC cloud driver, it can effect for cross-web, remote printing for any document and application on the PC without other modification or systems developed by third parties. It brings promising prospects for versatile uses in wholesale, production, storage, logistics, electronic vendors and tax control. Fourthly, the newly launched cloud printing and cloud printing application solutions include: the smart voice-controlled cloud printerMCP-58, which supports voice synthesising and broadcast regardless of content, allowing for automatic broadcasting of invoice information while printing. It is best for food delivery, catering, and retail sales. The reimbursement cloud printer, which have multiple functions including invoice authentication, mass printing of electronic invoices, photo recognition of paper invoice and automatic verification of different types, as well as automatic printing of a summary sheet for the present reimbursement. It effectively smooths out the major problems of repeated reimbursements and greatly raises the verification efficiency for the audit department while alleviating the applicant's workload. Desktop cloud-based self-operated terminal can be equipped with ID card or IC card reader, and supports payment by scanning code and other self-operated printing services such as electronic invoices, bank/payment/credit card statements, documents, forms and personal information. It also supports customised commercials, making marketing and servicing simultaneous.

Tax Control Solutions

The Company has engaged in the research, development and promotion of tax control products and the provision of tax control solutions for many years and has accumulated a wealth of experience in the field of tax control. Besides traditional promotion campaigns for its tax control products, the Company has in recent years adopted new measure for leveraging on its new launches for the promotion of existing products. For instance, our WeChat electronic invoice cloud printing solutions enable fast and easy printing of electronic invoices with just a scan on the QR code on the WeChat platform. After its initial release, there has been no competing alternative products on the market which makes tax control service providers eager to cooperate with the Company. The two major hiccups in the field of tax control, especially for promoting electronic invoices and promoting tax control systems to taxpayers downstream to the initial taxation point, include: first, the separation between vendors' business system and the tax control system, as the invoice content to be issued cannot be directly derived from the business operating system and needs to be entered separately, from which errors or irregularities from tax invoice standards may arise; and second, the strict control over service providers' pricing and the surveillance on its actual charges, causing service providers to require tax control solutions at a lower cost. For the first hurdle, the Company develops Kamo (卡莫) its catering cashier system, store management system and hotel management system, which is connected to the invoicing system from the tax control service providers. It allows for seamless cooperation between the cashier and invoicing systems, a popular choice for business owners and a great opportunity to collaborate with tax control service providers. It makes the implementation of the Company's strategy of using software business to bring up hardware business more systematic and effective. For the second hurdle, in the first half of 2019, the Company conducted feasibility research and technological preparation for low-cost invoicing solutions. With AI and cloud printing technology, a mini-cloud printer of the Company can enable automatic gathering of information for invoice data without any modifications to the third-party cashier, and print out QR codes for issuance of electronic invoices on top of the vendor's original invoice. Super low-cost tax control solutions can be realised, with great promotional prospects to numerous small-sales store businesses such as catering, convenient stores, fashion boutiques, grocery stores, bakeries, dessert stores, sport gear shops, cosmetics shops, pet shops and pharmacies. Moreover, another challenge in the field of tax control comes from the requirement for consistent coding on both the machine-stored invoice number and the physical invoice copy. It requires manual verification which can go wrong. For this purpose, the Company has developed an integrated scanning-printing machine equipped with a camera which can take snapshots of the printed codes and instantly compare with OCR to verify consistency with the machine-stored code. It saves on wasted invoices, increases users' work efficiency, and reduces stress for the operators, making for a popular choice for customers. Moreover, the Company also launched the thermal electronic invoice self-operated cloud printer. Maintaining the advantages of inkjet electronic invoice self-operated cloud printers, the printer also has sizing and pricing advantages. It also allows the businesses to convert the extra operating costs on printing electronic invoices into marketing opportunities, as it naturally inserts advertisements to the front page of the code scanning on the customer's phone. Invoicing can become integrated in promotional efforts for the customers to launch their advertising campaigns.

New Retail Business

As a core product of the Company's new retail business, Kamo's new retail viral marketing system is designed for catering, retail, hotel and cosmetics businesses. Based on over 30 years' experience of commercial equipment and online retail services, it is developed as a new generation of smart vendor system combining both software and hardware, online and offline new retail solutions. The solution uses personalised, social media-based marketing management. Through fanbase marketing, online sharing promotion and other viral marketing techniques, it makes full use of AI data management to enable individualised management for vendors. Followers can become ferment for secondary marketing as the marketing platform allows for total control by the vendor. Different combinations of functional modules and hierarchised authorisation management enable the formulation of different solutions specific to different industries and use contexts. Currently, classical solutions include: (1) Kamo viral marketing store management system. By purchasing only one mini-cloud printer developed by the Company, the store can easily satisfy its needs for statement issuance, payment receipt, invoicing, and marketing. With the free mini e-mall and other marketing tools which comes with the printer, it helps the store conduct its business online and offline, making store management and operation easier. It is suitable for catering, retail, hotel and cosmetics businesses. The solution also has other features such as combined payments, secondary marketing through the promotional links on the payment website; self-operated electronic invoicing on small-invoice QR codes, payment page or WeChat payment notification; light-weight deployment, as receipt and invoicing can be seamlessly conducted with a mobile application on the phone and tax hardware installed on the printer; drag-drop "what you see is what you get" modules which makes creating small official websites and e-mall quick and easy for self-branding; viral marketing functionalities, including support for WeChat rewards and bonuses, coupon exchange between customers, enabling customers, staff and agents to become salespersons making sales content viral; and self-operated system by the store making access to customers' data and preferences direct, allowing precision reach to customers. It helps the store to build membership traffic and makes secondary marketing an easy job. (2) Kamo viral marketing hotel management system, which provides an integrated solutions to hotels' needs for official mini-sites, mini-e mall, online booking, viral marketing, online room services, multi-business management and multiple modes of invoicing. An OTA viral marketing platform for hotels, it helps hotel operators to have timely and thorough access to operating information, making more precise decision-making possible and enhancing the hotel's operating efficiency. It works for serviced apartments, business hotels, starred hotels, resorts, convenient hotels, B&B and motels. The system also comes with many features to help create the hotel's own booking system which can be connected to mainstream OTA platforms. It supports multiple invoicing modes, is pre-authorised for WeChat, and can be connected to the WeChat public accounts and other mobile applications to form a closed circuit of WeChat consumption pattern. (3) Kamo catering management system, which is specialised for beverage and food businesses, providing them with a system of hardware and software for ordering, cashier and marketing. It integrates invoice issuance and streamlines invoicing processes to save operating costs and increase service efficiency for vendors. It is best suited for Chinese cuisine, Western restaurants, hotpots, desserts, bakeries, bars and fast food restaurants. The system has multiple modes of ordering, reserving place in queue, self-created delivery platform, O2O integrated marketing, membership and fanbase marketing, and seamless connection between bill receipt and invoicing. (4) Jolimark Coffee Art Printer. Using all-natural caramel as ink and food-safe cartridge, it is spongeless in design and has its inkjet and cartridge fully integrated and replaceable after use. It is safe from bacteria and fully up to food safety requirements. It supports a variety of materials, such as coffee foam, milk cap, dark lager, biscuits, brioche, yogurt and ice cream. Besides catering businesses in their daily operation, it also finds usage among other organisations such as banks, insurance companies, hotels, 4S stores, and property sellers, corporate reception areas and exhibitions facilities, especially for making customised gifts and preparing for drinks to receive guests to show respect and care for their customers. It is compatible with WeChat public accounts, small programmes and mobile applications which support multiple language for global use. (5) Jolimark Colour Manicure Machine. It can paint and dry in one machine using the ink in three primary colours. It gives colours in high saturation and perfectly replicates the image. It is approved by SFDA, CFDA and ROHS. The Company also operates an image gallery for nail manicure, combining new images from third-party original manicure designs to bring fashion and surprises to manicure stores and customers. (6) Other retail equipment, such as 5-inch hand-held dot-matrix Android-based smart terminal, 7-inch thermal/dot-matrix POS all-in-one machine, 10-inch smart cashier machine with printer, 13-inch smart cashier, and 43 touch-screen self-operated terminal. Among them, the 13-inch and 43-inch products support both Windows and Android.

Video Conference System and Interactive Education Platform

The Company sees its video conference and online video education system business as an enabling agent for promulgation of ideas, incubation of creativity, remote communication and live learning. Our video education and conference system integrates the wireless smart writing board, mini cameras, wireless smart microphones and remote conference and display projector. It provides innovative enterprises with capacity for high-efficiency remote conference office system, and can allow training institutions or lecturers to give extracurricular consulting to multiple parties. It is suitable for art education, joint teaching with two teachers, lectures by famous speakers, practical training, among other educational purposes. The two systems integrate multiple advanced technologies in online interactive videos. It supports multiple control unit (MCU) which allows real-time interaction between different points. Video conference participants as well as teachers and students in the interactive education platform can communicate and interact in real time at any location as if they are on site, abolishing distance as an obstacle. 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 gain more authentic experience. 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 more enjoyable, or making the classes more lively. In addition, the Company's remote conference and display projector is equipped with the Android operating system, conference software, and 10-million-pixel camera for objects and texts. It supports wireless projection from mobile devices and tablet computers, USB reading, and file sharing. It makes computer-free remote conferences, training, technical support and demonstration quick and easy.

Financial Review

Results Summary

For the six months ended 30 June 2019, the Group's turnover amounted to approximately RMB136,824,000, representing a decrease of approximately 10% as compared with the same period last year. The loss attributable to shareholders of the Company amounted to approximately RMB14,901,000, as compared to a loss of RMB5,646,000 in the same period last year. The basic loss per share was approximately RMB0.024 (the basic loss per share as at 30 June 2018: RMB0.009). The increase in loss attributable to shareholders was mainly due to a decrease in sales and gross profit in the current period, an increase in investment in development of new products as well as the postponement of the launch of new products during the period.

Analysis of Sales and Gross Profit

For the six months ended 30 June 2019, revenue from the printer business amounted to approximately RMB135,490,000, accounting for approximately 99% of total revenue of the Group, whereas the revenue from other electronic products business amounted to approximately RMB1,334,000, accounting for approximately 1% of the revenue of the Group. The consolidated revenue of the Group decreased by approximately 10% as compared with the corresponding period in 2018, which was mainly attributable to weak demand for printers and the postponement of the launch of new products in 2019. The Group's consolidated gross profit margin fell approximately 5% to approximately 31% as compared to the corresponding period of last year. The decrease in gross profit margin is mainly due to weak demand in the market and an increase in competition.

Capital Expenditure

For the six months ended 30 June 2019, capital expenditure of the Group amounted to approximately RMB9,376,000, which was mainly used for the acquisition of production equipment, construction of R&D building and investment in product molds.

Financial and Liquidity Position

As at 30 June 2019, the total assets of the Group amounted to approximately RMB447,508,000 (31 December 2018: RMB429,598,000), the equity interests attributable to the Company's shareholders amounted to approximately RMB263,052,000 (31 December 2018: RMB277,798,000); non-controlling interests amounted to approximately RMB(491,000) (31 December 2018: RMB(119,000)); current liabilities amounted to approximately RMB184,678,000 (31 December 2018: RMB119,901,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 1.57 (31 December 2018: 2.28). The decrease in current ratio was mainly attributable to an increase in current liabilities for the current period by approximately RMB64,777,000.

As at 30 June 2019, the cash and cash equivalents, restricted cash, time deposits and financial assets at fair value through profit or loss (excluding the put option amounted to RMB463,000) of the Group amounted to approximately RMB143,666,000 (31 December 2018: RMB160,602,000) in aggregate, whereas the bank loans of the Group amounted to approximately RMB111,667,000 (31 December 2018: RMB81,543,000). The Group was in a net cash position after deducting the loans.

As at 30 June 2019, the Group received outstanding bank acceptance bills from customers amounted to approximately RMB6,058,000 (31 December 2018: RMB6,494,000).

Pledge of Assets

As of 30 June 2019, deposits with certain banks totaling RMB7,000,000 (31 December 2018: RMB7,000,000) were used as security for bank loans facilities of the Group, 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 the import of certain raw materials and machinery, sales of goods to overseas customers and borrowings that are denominated in foreign currencies. As at 30 June 2019, the Group had more monetary financial liabilities than financial assets outside 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 November 2018, the Group entered into an agreement with an associate of the Group, Wuhan Hong Rui Da Information Technology Limited Company ("Hong Rui Da"), to acquire its interactive live video business at a consideration of RMB2,640,000. The acquisition was completed on 26 February 2019.

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

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2019 (31 December 2018: nil).

Staff

As at 30 June 2019, the Group employed a total of 1,226 staff members (31 December 2018: 1,061 staff members). Apart from 32 employees employed in Hong Kong and overseas, all of the employees of the Group were based in mainland China. The Group determined its remuneration and bonus policies for all employees with reference to the business results and individual performance of the staff. In addition, fringe benefits, such as social security insurance, medical allowance and housing provident fund, were provided to ensure the 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 of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: nil).

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 30 June 2019 Unaudited	As at 31 December 2018 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	9	107,877	103,640
Intangible assets	9	6,776	5,350
Goodwill	9	6,527	6,376
Right-of-use assets	9	7,867	–
Land use right	9	–	8,010
Investments accounted for using the equity method	10	9,093	9,132
Financial assets at fair value through profit or loss		463	463
Financial asset at fair value through other comprehensive income	11	5,729	6,214
Deferred income tax assets		7,040	4,349
Restricted cash	13	–	7,000
Other receivables	12	2,409	3,158
Other assets		2,891	3,038
Total non-current assets		156,672	156,730
Current assets			
Inventories		108,264	91,876
Trade and other receivables	12	38,906	27,390
Time deposits		57,960	57,960
Restricted cash	13	7,000	254
Cash and cash equivalents		78,706	95,388
Total current assets		290,836	272,868
Total assets		447,508	429,598
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	15	9,155	12,814
Other reserves		256,707	256,185
(Accumulated losses)/retained earnings		(2,810)	8,799
		263,052	277,798
Non-controlling interests		(491)	(119)
Total equity		262,561	277,679
LIABILITIES			
Non-current liabilities			
Borrowings	14	–	31,543
Deferred income tax liabilities		269	475
Total non-current liabilities		269	32,018
Current liabilities			
Trade and other payables	16	68,794	62,076
Contract liabilities		2,713	4,010
Current income tax liabilities		1,504	3,815
Borrowings	14	111,667	50,000
Total current liabilities		184,678	119,901
Total liabilities		184,947	151,919
Total equity and liabilities		447,508	429,598
Net current assets		106,158	152,967
Total assets less current liabilities		262,830	309,697

The notes on pages 16 to 32 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 2019 Unaudited	2018 Unaudited
Revenue	7	**136,824**	151,518
Cost of goods sold		**(95,073)**	(97,687)
Gross profit		**41,751**	53,831
Other income		**3,178**	3,962
Selling and marketing costs		**(18,753)**	(19,233)
Administrative expenses		**(18,646)**	(17,536)
Research and development expenses		**(23,183)**	(21,475)
Other gains/(losses) – net		**531**	(1,197)
Operating loss		**(15,122)**	(1,648)
Finance costs – net		**(2,612)**	(3,884)
Share of losses of investments accounted for using the equity method	10	**(39)**	(559)
Impairment of investment in an associate	10	**–**	(828)
Loss before income tax		**(17,773)**	(6,919)
Income tax credits	17	**2,522**	629
Loss for the period		**(15,251)**	(6,290)
Loss attributable to:			
– Shareholders of the Company		**(14,901)**	(5,646)
– Non-controlling interests		**(350)**	(644)
		(15,251)	(6,290)
Loss per share for loss attributable to the shareholders of the Company (expressed in RMB per share)			
– Basic and diluted	18	**(0.024)**	(0.009)

The notes on pages 16 to 32 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	
	2019	2018
	Unaudited	Unaudited
Loss for the period	**(15,251)**	(6,290)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**(485)**	–
Income tax relating to these items	**129**	–
Other comprehensive income for the period, net of tax	**(356)**	–
Total comprehensive income for the period	**(15,607)**	(6,290)
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	**(15,235)**	(5,646)
– Non-controlling interests	**(372)**	(644)
	(15,607)	(6,290)

The notes on pages 16 to 32 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 2019 (Audited)	12,814	256,185	8,799	(119)	277,679
Comprehensive income					
Loss for the period	–	–	(14,901)	(350)	(15,251)
Other comprehensive income	–	(334)	–	(22)	(356)
Total comprehensive income	–	(334)	(14,901)	(372)	(15,607)
Transactions with shareholders					
Share options granted to employees	–	489	–	–	489
Cancellation of repurchased shares of the Company (note 15)	(3,659)	367	3,292	–	–
Transactions with shareholders	(3,659)	856	3,292	–	489
Balance at 30 June 2019 (Unaudited)	9,155	256,707	(2,810)	(491)	262,561
Balance at 1 January 2018 (Audited)	51,297	252,643	40,365	(455)	343,850
Comprehensive income					
Loss for the period	–	–	(5,646)	(644)	(6,290)
Total comprehensive income	–	–	(5,646)	(644)	(6,290)
Transactions with shareholders					
Non-controlling interests in newly set-up subsidiary	–	–	–	1,050	1,050
Share options granted to employees	–	1,471	–	–	1,471
Share options forfeited during the period	–	(41)	–	–	(41)
Repurchase and cancellation of shares of the Company	(14,873)	–	(6,842)	–	(21,715)
Dividends	(12,500)	–	–	–	(12,500)
Transactions with shareholders	(27,373)	1,430	(6,842)	1,050	(31,735)
Balance at 30 June 2018 (Unaudited)	23,924	254,073	27,877	(49)	305,825

The notes on pages 16 to 32 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	
	2019	2018
	Unaudited	Unaudited
Cash flows from operating activities		
Cash used in operations	**(34,994)**	(30,077)
Income tax paid	**(228)**	(1,956)
Interest paid	**(2,442)**	(2,178)
Net cash used in operating activities	**(37,664)**	(34,211)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(9,376)**	(10,487)
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)	**(1,848)**	(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
Interests received	**839**	839
Dividend received from an investment accounted for as financial asset at fair value through other comprehensive income	**1,267**	–
Dividend received from an associate	**–**	910
Net cash (used in)/generated from investing activities	**(9,118)**	9,740
Cash flows from financing activities		
Repurchase of shares of the Company	**–**	(21,715)
Proceeds from borrowings	**59,998**	59,078
Bank deposits secured for borrowings	**–**	(7,000)
Repayment of borrowings	**(30,000)**	(30,000)
Capital contribution from a non-controlling interest	**–**	1,050
Dividends paid to the shareholders of the Company	**–**	(12,500)
Net cash generated from/(used in) financing activities	**29,998**	(11,087)
Net decrease in cash and cash equivalents	**(16,784)**	(35,558)
Cash and cash equivalents at beginning of the period	**95,388**	171,056
Exchange losses on cash and cash equivalents	**102**	116
Cash and cash equivalents at end of the period	**78,706**	135,614

The notes on pages 16 to 32 form an integral part of this condensed consolidated interim financial information.

Notes to the 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

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS"), and any public announcements made by the Company during the interim reporting period.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Accounting policies

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

3.1 New and amended standards adopted by the Group:

The following new and amended standards are mandatory for adoption for the financial year beginning 1 January 2019 for the Group:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS
HK(IFRIC) 23	Uncertainty over Income Tax Treatments

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this financial year. The Group has changed its accounting policies as a result of adopting HKFRS 16.

Except for the impact of adoption of HKFRS 16 set out in note 3.3, the adoption of other standards, amendments and interpretations did not have any impact on the Group's accounting policies and did not require retrospective amendments and interpretation adjustments.

3.2 The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
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 2020 and have not been applied in preparing these condensed consolidated interim financial information. None of these is expected to have a significant effect on the condensed consolidated interim financial statements of the Group.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Accounting policies (Continued)

3.3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019 in note 3.3(b) below.

(a) Impact on the financial statements

The Group applied the simplified approach to adopt HKFRS 16 without restating comparative information, as permitted under the specific transitional provisions in the standard. Since all the Group's leases were either with low-value or with terms within 12 months from 1 January 2019, which were recognised on a straight-line basis as rental expense, no lease liabilities or right-of-use assets were recognised as of 1 January 2019. Detail impacts are listed as below:

Operating lease commitments disclosed as at 31 December 2018	1,832
Discounted using the lessee's incremental borrowing rate of the date of initial application	1,752
Less: short-term leases recognised on a straight-line basis as expense	(1,542)
Less: low-value leases recognised on a straight-line basis as expense	(210)
Lease liability recognised as at 1 January 2019	–

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights are reclassified to right-of-use assets as of 1 January 2019.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- land use rights – decreased by RMB8,010,000
- right-of-use assets – increased by RMB8,010,000

No significant impact on the Group's net loss after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16.

3. Accounting policies (Continued)

3.3 Changes in accounting policies (Continued)

(a) Impact on the financial statements (Continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*.

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3. Accounting policies (Continued)

3.3 Changes in accounting policies (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value leases mainly comprise dormitories rented for employees.

4. Critical accounting estimates and judgements

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

In preparing of this condensed consolidated interim financial information, significant judgments were made by management in applying the Group's accounting policies and the key sources of estimation. Uncertainty was the same as those applied to the preparation of the consolidated financial statements for the year ended 31 December 2018.

5. Financial risk management

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

There have been no significant changes in risk management policies during the six months ended 30 June 2019.

5.2 Fair value estimation

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

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

Level 1 – 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).

FVPL and FVOCI as at 30 June 2019 are a put option and equity investments in four private companies respectively, which are measured at fair value in level 3.

During the six months ended 30 June 2019, 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)

6. Segment information

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

The CODM manages the Group's business from the perspective of different product lines of the Group, i.e. printers and others. Since more than 90% of the Group's revenue and operating results are derived from product line of printers, no segment information has been prepared.

7. Revenue

(a) Revenues from external customers are for sales of goods as below:

	Six months ended 30 June	
	2019	2018
Printers	**135,490**	150,253
Other electronic products	**1,334**	1,265
	136,824	151,518

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

	Six months ended 30 June	
	2019	2018
In the PRC	**128,197**	142,891
In other countries	**8,627**	8,627
	136,824	151,518

(c) For the six months ended 30 June 2019 and 30 June 2018, approximately 9% of total revenue are derived from a single external customer.

8. Business combinations

In November 2018, the Group entered into an agreement with a related party, Wuhan Hong Rui Da Information Technology Limited Company ("Hong Rui Da"), to acquire an interactive live video business. The acquisition was completed on 26 February 2019.

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

	RMB'000
Purchase consideration	
Cash paid in prior year	792
Cash paid in current period	1,848
Total purchase consideration	2,640

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

	Fair Value RMB'000
Property, plant and equipment	6
Intangible assets	1,897
Add: goodwill (note 9)	737
	2,640

The goodwill is attributable to the acquired employee workforce and the expected synergies. The goodwill is not expected to be deductible for tax purposes.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

	Property, plant and equipment	Right-of-use assets/Land use rights	Goodwill	Intangible assets	Total
Six months ended 30 June 2019					
Opening net book amount as at 1 January 2019	103,640	8,010	6,376	5,350	123,376
Acquisition from business acquisition	6	–	737	1,897	2,640
Additions	9,900	–	–	–	9,900
Disposal	(4)	–	–	–	(4)
Depreciation and amortisation	(5,567)	(143)	–	(471)	(6,181)
Impairment loss (note (a))	(98)	–	(586)	–	(684)
Closing net book amount as at 30 June 2019	107,877	7,867	6,527	6,776	129,047
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	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) The impairment of RMB98,000 and RMB586,000 are made on property, plant and equipment and goodwill in relation to the Takeaway Order System of catering business.

10. Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet for associates and a joint venture are as follows:

	Six months ended 30 June	
	2019	2018
Balance at 1 January	9,132	14,870
Disposal of an associate	–	(798)
Dividend received from an associate	–	(910)
Share of losses – net	(39)	(559)
Impairment charge	–	(828)
Balance at 30 June	9,093	11,775

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. Financial assets at fair value through other comprehensive income

The Group recognised fair value losses of RMB485,000 on the financial assets at fair value through other comprehensive income during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

The fair values are based on net assets per share which are within level 3 of fair value hierarchy.

12. Trade and other receivables

	As at	
	30 June 2019	31 December 2018
Non-current		
Other receivables		
– Third parties	**500**	500
– Related parties	**1,909**	2,658
	2,409	3,158
Current		
Trade receivables		
– Third parties	**17,675**	8,150
Bills receivable	**6,058**	6,494
Other receivables		
– Third parties	**14,011**	11,314
– Related parties	**1,710**	1,672
Less: provision for impairment of other receivables		
– Third parties	**(720)**	(720)
– Related parties	**(1,593)**	(1,593)
Prepayments to third parties	**1,765**	2,073
	38,906	27,390
	41,315	30,548

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. Trade and other receivables (Continued)

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 2019, the ageing analysis of the trade receivables is as follows:

	As at	
	30 June 2019	31 December 2018
Less than 30 days	**14,931**	5,249
31–90 days	**1,125**	1,424
91–180 days	**336**	325
181–365 days	**71**	52
Over 365 days	**1,212**	1,100
	17,675	8,150

The credit quality of trade receivables within credit limit are assessed by reference to historical information about counterparty default rates. As at 30 June 2019, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 30 June 2019, trade receivables of RMB1,283,000 (31 December 2018: RMB1,152,000) were past due but not impaired, which relate to a number of independent customers with no recent history of default.

13. Restricted cash

	As at	
	30 June 2019	31 December 2018
Non-current:		
Guarantee deposits for loans	**–**	7,000
Current:		
Guarantee deposits for loans (note (a))	**7,000**	–
Other guarantee deposit	**–**	254
	7,000	254
	7,000	7,254

(a) Guarantee deposits of RMB7,000,000 represent cash deposited in a PRC bank as security for the Group's bank loans of HK$36,000,000 (equivalent to RMB31,669,000) (31 December 2018: HK$36,000,000, equivalent to RMB31,543,000) (note 14).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. Borrowings

	As at	
	30 June 2019	31 December 2018
Non-current		
Secured bank loans	–	31,543
Current		
Secured bank loans (note (a))	**31,669**	–
Unsecured bank loans (note (b))	**79,998**	50,000
	111,667	50,000
	111,667	81,543

(a) Amount represents the bank loans of HK$36,000,000 (equivalent to RMB31,669,000) bearing an interest of 1.65% over one-month HIBOR per annum, with a maturity of three years and secured by the Group's bank deposit of RMB7,000,000 (note 13).

(b) The weighted average effective interest rate (per annum) of the unsecured bank borrowings for the six months ended 30 June 2019 was 4.39% (six months ended 30 June 2018: 4.35%).

Interest expenses of the borrowings for the six months ended 30 June 2019 amounted to RMB2,014,000 (six months ended 30 June 2018: RMB1,456,000), which have been recognised as finance costs in the income statement.

The Group has undrawn loan facilities of RMB96,508,000 as of 30 June 2019 (31 December 2018: RMB43,504,000).

15. Share capital and premium

The Company cancelled its 8,332,000 treasury shares in January 2019 which were repurchased by the Company in 2018.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. Trade and other payables

	As at	
	30 June 2019	31 December 2018
Trade payables		
– Third parties	**39,779**	26,324
– Related parties	**2,735**	1,864
Other payables to third parties	**25,884**	32,913
Dividends payable	**396**	975
	68,794	62,076

At 30 June 2019, the ageing analysis of the trade payables based on invoice date, including amounts due to related parties of trading nature, is as follows:

	As at	
	30 June 2019	31 December 2018
Less than 30 days	**27,606**	19,002
31–90 days	**12,419**	7,448
91–180 days	**238**	612
181–365 days	**958**	141
Over 365 days	**1,293**	985
	42,514	28,188

17. Income tax credits

	Six months ended 30 June	
	2019	2018
Current income tax		
– Hong Kong profits tax	**(246)**	–
– PRC corporate income tax	**–**	581
– PRC dividend withholding tax	**–**	(671)
	(246)	(90)
Deferred income tax	**2,768**	719
	2,522	629

17. Income tax credits (Continued)

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2019 (six months ended 30 June 2018: same).

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 2019, it enjoys a preferential CIT rate at 15% for the six months ended 30 June 2019 (six months ended 30 June 2018: 15%). The effective CIT rate of other group entities in the PRC is 25% (six months ended 30 June 2018: 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 2019, no deferred income tax has been provided for PRC dividend withholding tax.

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.

18. Loss per share

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

	Six months ended 30 June	
	2019	2018
Loss attributable to the shareholders of the Company (RMB'000)	**(14,901)**	(5,646)
Weighted average number of ordinary shares in issue (shares in thousands)	**613,252**	642,027
Basic and diluted loss per share (RMB per share) (note (a))	**(0.024)**	(0.009)

(a) As there was no potential dilutive ordinary shares for the six months ended 30 June 2019 and 2018, respectively, diluted loss per share equals basic loss per share.

19. Dividends

	Six months ended 30 June	
	2019	2018
Final dividend	**–**	12,500

(a) The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(b) A final dividend in respect of 2017 of RMB0.019 per ordinary share totalling approximately RMB12,500,000 was declared and paid out of share premium of the Company in 2018.

20. Commitments

(a) Capital commitments

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

	As at	
	30 June 2019	31 December 2018
No later than 1 year	**–**	4,863

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable leases contracts that no lease liabilities recognised are as follows:

	As at	
	30 June 2019	31 December 2018
No later than 1 year	**1,678**	1,756
Later than 1 year and not later than 5 years	**–**	76
	1,678	1,832

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. 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. Au Family, including Mr. Au Pak Yin, Ms. Tai Noi Kit, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Ms. Ou Ri Ai, is the beneficial owner of the Company.

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	
	2019	2018
Purchases of goods and services from parties controlled by the Au Family (note (a))	**8,440**	8,915

(ii) Acquisition of business

	Six months ended 30 June	
	2019	2018
Hong Rui Da (note 8)	**2,640**	–

(iii) Key management compensation

	Six months ended 30 June	
	2019	2018
Salary and other short-term employee benefits	**2,527**	2,512
Share options	**66**	122
Retirement scheme contribution	**31**	28
	2,624	2,662

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. Significant related party transactions (Continued)

(iv) Period-end balances with related parties

	As at	
	30 June 2019	31 December 2018
Trade and other receivables		
– Cash advanced to parties controlled by the Au Family (note (b))	**117**	79
– Cash advanced to one of the Group's investees (note (c))	**1,909**	2,658
	2,026	2,737
Trade payables to related parties (note (b))	**2,735**	1,864

(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, trade payables to related parties are repayable within 45 days.

(c) The amount due from one of the Group's investees is due for repayment on 11 July 2020 and secured by the founding shareholder of the investee.

Other Information

Disclosure of Interests

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

As at 30 June 2019, 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)	445,027,533 (L)	72.61%
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner	5 (L)	100%

Notes:

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

2. 445,027,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au 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 2019, 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 2019, as far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Notes:

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

2. 445,027,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au 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. 31,200,000 Shares were held by Jayhawk Private Equity Fund II, L.P. which is wholly-owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 30 June 2019, 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 2018. 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 summarizes the movements in the Company's share options during the six months ended 30 June 2019:

Name	Date of grant	Exercise price HK$	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2019	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	0.35%	10 December 2014 to 10 December 2019 (Note 1)
Employees	17 December 2014	1.70 (Note 4 and 5)	15,330,000	–	–	(200,000)	15,130,000	2.47%	17 December 2015 to 17 December 2020 (Note 1)
Employees	15 May 2015	2.17 (Note 6 and 7)	12,520,000	–	–	–	12,520,000	2.04%	15 May 2016 to 15 May 2021 (Note 1)
Total			29,973,500	–	–	(200,000)	29,773,500	4.86%	

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 2019, neither the Company nor any of its subsidiaries bought back, sold or redeemed any of the Company's listed securities.

Compliance with the Corporate Governance Code

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as in effect from time to time (the "CG Code") during the six months ended 30 June 2019, 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 2019.

At the annual general meeting of the Company held on 21 May 2019, 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 2019 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 2019.

Review of Condensed Consolidated Interim Financial Information

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 had been reviewed by the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 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 2019