

Jolimark

Jolimark Holdings Limited
映美控股有限公司

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

2020
Interim
Report

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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

Ms. Kan Lai Kuen, Alice
Dr. Zhong Xiaolin
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

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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*)
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Remuneration Committee

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

Nomination Committee

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
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

Printers

For the six months ended 30 June 2020, the revenue of the Group derived from the printer business amounted to approximately RMB96,529,000, which accounted for approximately 95% of the total revenue of the Group, representing a decrease of approximately 29% compared with that for the corresponding period in 2019. The decrease in revenue was attributable mainly to the impact of the COVID-19 epidemic and the sluggish demand in the printer market.

Other Products

For the six months ended 30 June 2020, revenue derived from the business of other products increased by RMB4,196,000 compared with that for the corresponding period in 2019 to approximately RMB5,530,000 and accounted for approximately 5% of the total revenue of the Group, mainly due to an increase in sales of household supplies and medical masks during the period.

Future Business Outlook

Business and operation of the Company were significantly impacted by COVID-19 epidemic in the first half of the year. While operations in office and production departments resumed normal in late March, our interactive education research department, based at the epidemic centre in Wuhan, did not resume normal work until mid-April. Even after work resumed, marketing activities such as visiting clients has continued to be affected.

However, thanks to the coordinated efforts of the Company, we managed a number of remarkable achievements. In the beginning of the year, the Company actively contributed to the epidemic control initiatives in Wuhan by donating over a thousand printers to the Leishenshan, Huoshenshan, Jinyintan, and Tongzhi hospitals as well as the Hubei Chinese Medicine Institute in Wuhan, Hubei. Starting from March, we commenced production of medical masks in a bid to fulfil our corporate social responsibilities and further our engagement in sustainable development.

Printing Equipment, Cloud Printing, Tax Control Solution and New Retail Solution

In the first half of 2020, the Company remained committed to the strategic principle of equating printer with cloud application. Based on our well-developed core competitiveness in the printer sector in terms of marketing, service, technology and manufacturing accrued for over 30 years, we established ourselves as a cloud printing application service provider through integrating software with hardware operations. Cloud printing is the basic infrastructure in the era of mobile Internet access and SAAS (software as a service). As traditional local applications move towards cloud-based technologies, the traditional practice for printing to be done through the USB or local intranet connection after the installation of a device driver on the personal computer is set to be phased out and to be replaced by portable, remote printers, free of any device drivers.

In spite of the impact of the pandemic, the Jolimark printing business still sustained a respectable performance during the first half of the year. Almost 1,000 collaborators have been registered on the Jolimark cloud printing open-source platform (mainly SAAS software developers). Over 100 of the collaborators were those who had transactions with our cloud printing products, representing an increase of over 100%. The number of units sold and the sales revenue increased by over 200% on a year-on-year basis.

Management's Discussion and Analysis (continued)

Jolimark has become an important strategic collaborator in electronic invoice cloud printing with WeChat and Alipay. Customers can easily help themselves to print an electronic invoice issued through WeChat or Alipay using a Jolimark cloud-based printer. The Jolimark printer and its technical standards have been adopted in the standard instructional materials of WeChat and Alipay for their open-source platform designed for developers. The Jolimark electronic invoice cloud-based printer has been adopted by large customers such as China Southern Power Grid, State Grid Corporation of China, China Telecommunications, China National Petroleum Corporation, Sinopec, Shell, State Taxation Administration, Walmart, and China Construction Bank. Since the designated value-added tax invoices will go fully electronic this year, according to the related announcements of the State Council, it is anticipated that the sales of electronic invoice printers will enjoy a greater increase in the second half of this year and the next.

If printing presents an avenue for marketing, so too would invoicing. Cloud-based printers and electronic invoice printers are entry-points for online and smart new retail businesses. The Company is therefore in the course of developing new retail businesses through its electronic invoice printers. While the invoice printing is initiated by the customers through scanning of a QR code with a smartphone, the printer can redirect them to a virtual shopping mall to make purchases. Currently, the Company is in negotiation with banks or third-party payment platform operators and e-vendor platforms or mid-to-large merchants for cooperation. When using bank payment through our electronic invoice printers (cost to be entirely or partially incurred by the bank) or through our nation-wide sales network connecting to individual businesses, customers may be provided with promotions of e-vendor merchandise when their invoices are being printed.

Another important application of cloud printing is to enable the initiation of printing without the need for the traditional, costly self-serviced terminals. Customers can operate through their phones after scanning the QR code and be presented with customized precision-ads. This effectively removes the requirement for the bulky touchscreen machines and the costs of their complex development and maintenance. The self-serviced cloud-based printing terminal has a strong price-point advantage and is now an important development direction of the Company. In the first half of the year, the Company made breakthroughs to facilitate customer access to drugstores, Xinhua bookstores, tax administration halls and other application areas. Approximately 3,000 units of our cloud-based self-serviced lottery ticket terminals used in Beijing Welfare Lottery Centres were supplied over the last two years and is in a good state of operation. The Company expects the market for cloud-based self-serviced terminals and cloud-based self-serviced lottery ticket terminals will be enormous and intends to position it as one of our core business products.

As electronic invoices are becoming a standard practice, demands for multiple-connection dot-matrix printers will further dwindle. The Company has expended much efforts in the first half of the year in expanding the dot-matrix printer market in government and specific industries, especially in power generation, measurement instruments and hospitals with satisfactory outcomes. Meanwhile, we endeavour to develop our inkjet printers, including continuous feed inkjet printers for the medical market, medical history record electronic printers, "red document" printers for government and industries, colour inkjet document printers for homework, household and office uses with self-serviced cloud services, colour label printers for manufacturers and commerce, coffee art printers (second generation) and manicure printers (second generation) for commercial and household uses, and so on. These products were either launched in the first half of the year or to be released in the second half of the year. These new printer products have been developed to fill in the vacuum created by the shrinking market for dot-matrix printers and support the cloud-focused strategy of the Company.

Management's Discussion and Analysis (continued)

Video Interactive Education Platform and Conference System

The pandemic opens up new opportunities for remote teaching. But our development work in the first half of the year was also hampered since our interactive education development team was based mainly in Wuhan. The Company's remote teaching system is distinguished from other remote teaching systems currently available in the market by our one-to-many video interactive education platform which combines a variety of hardware including projector camera, camera scanner and education system console. It effectively simulates teaching in person and also effects learning in leisure and comfort. Our system allows teachers to interact through video with students located in different places. Through the projector camera or camera scanner, the teachers can write as they would on a traditional whiteboard, and view the students' textbooks and workbooks remotely. It recreates the teaching and learning method in the traditional classroom with whiteboards, textbooks and workbooks, and is especially suitable for art, calligraphy, musical performance and indoor exercise instruction. The system can be utilised by tutors, training schools and tuition centres. It is also well suited to be used in support of product training sessions. Learning and training are most effective if students would immediately practice online according to instructors and demonstrations while the instructors could offer instant feedbacks while observing the answering or operating process of the students. Our system is designed precisely to support these goals. Because of the pandemic, the launch of the Company's interactive education platform has to be postponed to the second half of this year.

Health and Medicine Equipment and Preventive Mask Products

Our portable medical-grade ventilator is mainly designed for patients with compromised lung functions and are dependent on breathing support. Ventilator portability frees the patients from being bound to a traditional bulky device and allows them to remain socially engaged as a normal person. The product is also suitable for mountaineering and high-latitude tourism, personal, office and domestic oxygen bars. Currently our medical-grade portable ventilator is at the stage of sample machine testing and preparation for product certification. To allow for the lengthy process of certification of medical devices and associated uncertainties, the Company is planning to launch the product in the first half of 2021.

A noiseless compressor-based nebuliser which is of medical-grade is another Jolimark medical device which is in the process of seeking certification for medical production is aiming to hit the market between the second half of this year and the first half of the next. The nebuliser is mainly used to facilitate the inhalation of nebulised medicine, capable of generating particles with an average diameter of 3.5 micrometres, a size which can directly enter the alveoli and the lower respiratory tract for ready absorption by the human body. With a 25% greater noise-reduction ratio this Jolimark device is far superior to the ultrasonic nebulisers in the market. The device can be used to treat COVID-19 patients, as nebulised therapies have shown to produce prominent results in researches conducted in the country and overseas.

Medical masks have been in production at Jolimark since the first quarter of the year. We are licenced under the PRC's medical equipment production certificate (Category II) as well as the CE certification of the EU, and are also whitelisted by the PRC Ministry of Commerce for medical supply export. However, with the epidemic currently under control, mask oversupply in the country has come under intense competition. The Company is therefore striving to expand the market.

Management's Discussion and Analysis (continued)

Financial Review

Results Summary

For the six months ended 30 June 2020, the Group's turnover amounted to approximately RMB102,059,000, representing a decrease of approximately 25% compared to the same period last year. The loss attributable to shareholders of the Company amounted to approximately RMB21,177,000, as compared to a loss of approximately RMB14,901,000 in the same period last year. The basic loss per share for the period was approximately RMB0.035 (the basic loss per share for the six months ended 30 June 2019: RMB0.024). The increase in loss attributable to shareholders was mainly due to decreases in sales and gross profit for the period caused by COVID-19 epidemic.

Analysis of Sales and Gross Profit

For the six months ended 30 June 2020, revenue from the printer business amounted to approximately RMB96,529,000, accounting for approximately 95% of total revenue of the Group, whereas the revenue from other products business amounted to approximately RMB5,530,000, accounting for approximately 5% of the revenue of the Group. The consolidated revenue of the Group decreased by approximately 25% as compared with the corresponding period in 2019, which was mainly attributable to COVID-19 epidemic and the sluggish demand in printers. The Group's consolidated gross profit margin fell slightly by 2% from approximately 31% to approximately 29% as compared to the corresponding period of last year. The decrease in gross profit margin is mainly due to an decrease in sales for the period with fixed cost unchanged.

Capital Expenditure

For the six months ended 30 June 2020, capital expenditure of the Group amounted to approximately RMB7,750,000, which was mainly used for the acquisition of production equipment and product molds.

Financial and Liquidity Position

As at 30 June 2020, the total assets of the Group amounted to approximately RMB406,232,000 (31 December 2019: RMB406,571,000), equity attributable to shareholders of the Company amounted to approximately RMB221,379,000 (31 December 2019: RMB241,967,000); non-controlling interests amounted to approximately RMB(892,000) (31 December 2019: RMB(564,000)); current liabilities amounted to approximately RMB184,430,000 (31 December 2019: RMB163,442,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 1.33 (31 December 2019: 1.53). The decrease in current ratio was mainly attributable to an increase in bank borrowings of approximately RMB22,741,000 during the period.

As at 30 June 2020, the cash and cash equivalents and restricted cash of the Group amounted to approximately RMB103,330,000 (31 December 2019: RMB129,627,000) in aggregate, whereas the bank loans of the Group amounted to approximately RMB114,988,000 (31 December 2019: RMB92,247,000).

As at 30 June 2020, the Group received outstanding bank acceptance bills from customers amounted to approximately RMB3,698,000 (31 December 2019: RMB1,649,000).

Pledge of Assets

As at 30 June 2020, there were no deposits with certain banks (31 December 2019: RMB7,000,000) used as security for bank loans facilities of the Group, i.e. onshore guarantees for offshore loans.

Impacts of COVID-19 Pandemic

The outbreak of the 2019 Novel Coronavirus ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including decrease in sales orders and delay in production and delivery, delay in launch of new products, allowance for expected credit losses on trade and other receivables, impairment of goodwill and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group.

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 2020, the Group had more monetary financial assets than financial liabilities 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

The Group did not have any material acquisitions or disposals during the period under review.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2020 (31 December 2019: nil).

Staff

As at 30 June 2020, the Group employed a total of 946 staff members (31 December 2019: 976 staff members). Apart from 30 employees employed in Hong Kong and overseas, all employees of the Group were based in the Mainland of China. The Group determined its remuneration and bonus policies for all employees with reference to the business results and individual performance of the staff. In addition, fringe benefits, such as social security insurance, medical allowance and housing provident fund, were provided to ensure the Group remains as a competitive employer. In addition, the Group has maintained a share option scheme to reward and incentivize its employees.

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 2020 (Six months ended 30 June 2019: nil).

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2020 Unaudited	31 December 2019 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	107,006	105,823
Intangible assets	8	12,128	13,216
Right-of-use assets	8	9,926	10,681
Investments accounted for using the equity method	9	7,849	7,821
Financial assets at fair value through profit or loss	10	398	463
Financial asset at fair value through other comprehensive income	11	6,758	5,956
Deferred income tax assets		12,060	8,192
Other receivables	12	2,402	500
Other non-current assets		3,197	3,124
Total non-current assets		161,724	155,776
Current assets			
Inventories		104,970	86,320
Trade and other receivables	12	36,208	34,848
Restricted cash	13	153	7,153
Cash and cash equivalents		103,177	122,474
Total current assets		244,508	250,795
Total assets		406,232	406,571
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		9,155	9,155
Other reserves		257,647	257,058
Accumulated losses		(45,423)	(24,246)
		221,379	241,967
Non-controlling interests		(892)	(564)
Total equity		220,487	241,403

Condensed Consolidated Interim Balance Sheet (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2020 Unaudited	31 December 2019 Audited
LIABILITIES			
Non-current liabilities			
Lease liabilities		791	1,363
Deferred income tax liabilities		524	363
Total non-current liabilities		1,315	1,726
Current liabilities			
Trade and other payables	15	66,248	68,053
Contract liabilities		1,580	1,497
Lease liabilities		1,614	1,645
Borrowings	14	114,988	92,247
Total current liabilities		184,430	163,442
Total liabilities		185,745	165,168
Total equity and liabilities		406,232	406,571
Net current assets		60,078	87,353
Total assets less current liabilities		221,802	243,129

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

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2020 Unaudited	2019 Unaudited
Revenue	7	102,059	136,824
Cost of goods sold		(72,026)	(95,073)
Gross profit		30,033	41,751
Other income		2,280	3,178
Selling and marketing costs		(15,575)	(18,753)
Administrative expenses		(20,444)	(18,646)
Research and development expenses		(20,069)	(23,183)
Other gains – net		292	531
Operating loss		(23,483)	(15,122)
Finance costs – net		(1,973)	(2,612)
Share of gains/(losses) of investments accounted for using the equity method	9	28	(39)
Loss before income tax		(25,428)	(17,773)
Income tax credits	16	3,898	2,522
Loss for the period		(21,530)	(15,251)
Loss attributable to:			
– Shareholders of the Company		(21,177)	(14,901)
– Non-controlling interests		(353)	(350)
		(21,530)	(15,251)
Loss per share for loss attributable to the shareholders of the Company (expressed in RMB per share)			
– Basic and diluted	17	(0.035)	(0.024)

The above condensed consolidated interim income statement should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Loss for the period	(21,530)	(15,251)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	802	(485)
Income tax relating to these items	(188)	129
Other comprehensive income for the period, net of tax	614	(356)
Total comprehensive income for the period	(20,916)	(15,607)
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	(20,588)	(15,235)
– Non-controlling interests	(328)	(372)
	(20,916)	(15,607)

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Attributable to shareholders of the Company				Total equity
	Share capital and premium	Other reserves	Accumulated (losses)/retained earnings	Non-controlling interests	
Balance at 1 January 2020 (Audited)	9,155	257,058	(24,246)	(564)	241,403
Comprehensive income					
Loss for the period	–	–	(21,177)	(353)	(21,530)
Other comprehensive income	–	589	–	25	614
Total comprehensive income	–	589	(21,177)	(328)	(20,916)
Balance at 30 June 2020 (Unaudited)	9,155	257,647	(45,423)	(892)	220,487
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	(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

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Cash flows from operating activities		
Cash used in operations	(39,370)	(34,994)
Income tax paid	–	(228)
Interest paid	(2,415)	(2,442)
Net cash used in operating activities	(41,785)	(37,664)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,750)	(9,376)
Purchase of intangible assets	(182)	–
Purchase of other assets	(459)	–
Purchase of financial assets at fair value through profit or loss	(30,000)	–
Acquisition of a business, net cash paid	–	(1,848)
Disposals of property, plant and equipment	3	–
Disposals of financial assets at fair value through profit or loss	30,200	–
Interests received	959	839
Dividend received from an investment accounted for as financial asset at fair value through other comprehensive income	–	1,267
Net cash used in investing activities	(7,229)	(9,118)
Cash flows from financing activities		
Proceeds from borrowings	114,988	59,998
Release of bank deposits guaranteed for bank loans	7,000	–
Repayments of borrowings	(91,819)	(30,000)
Principal elements of lease payments	(891)	–
Net cash generated from financing activities	29,278	29,998
Net decrease in cash and cash equivalents	(19,736)	(16,784)
Cash and cash equivalents at beginning of the period	122,474	95,388
Exchange losses on cash and cash equivalents	439	102
Cash and cash equivalents at end of the period	103,177	78,706

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

- (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, other electronic products and other non-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.
- (e) The outbreak of the 2019 Novel Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including decrease in sales orders and delay in production and delivery, delay in launch of new products, allowance for expected credit losses on trade and other receivables, impairment of goodwill and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, 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.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES

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

3.1 New and amended standards adopted by the Group:

The following new and amended standards are mandatory for adoption for the financial year beginning 1 January 2020 for the Group:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this financial year and has concluded that they do not have any impact on the Group's accounting policies and do not require retrospective amendments and interpretation adjustments.

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 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendment)	Presentation of financial statements' on classification of liabilities	1 January 2023
HKFRS 3 (Amendment)	Business combinations	1 January 2022
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2022
HKAS 37 (Amendment)	Provisions, contingent liabilities and contingent assets	1 January 2022
Annual improvements to HKFRS 1	First-time Adoption of IFRS	1 January 2022
Annual improvements to HKFRS 9	Financial instruments	1 January 2022
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 2021 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 information of the Group.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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 2019.

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 2019.

There have been no significant changes in risk management policies during the six months ended 30 June 2020.

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).

As at 30 June 2020, FVPL represents a put option of the Group's equity investment in a private company and FVOCI are the Group's equity investments in private companies which are all measured at fair value in level 3.

During the six months ended 30 June 2020, 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.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. Segment Information

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

The CODM manages the Group’s business from the perspective of different product lines of the Group, i.e. printers and others. Since more than 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	
	2020	2019
Printers	96,529	135,490
Other electronic products	2,490	1,334
Other products	3,040	–
	102,059	136,824

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

	Six months ended 30 June	
	2020	2019
In the PRC	95,975	128,197
In other countries	6,084	8,627
	102,059	136,824

(c) For the six months ended 30 June 2020, approximately 10% (six months ended 30 June 2019: 9%) of total revenue are derived from a single external customer.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

	Property, plant and equipment	Right-of-use assets	Goodwill	Intangible assets	Total
Six months ended 30 June 2020					
Opening net book amount as at 1 January 2020	105,823	10,681	6,527	6,689	129,720
Additions	7,437	349	–	182	7,968
Disposal	(3)	–	–	–	(3)
Depreciation and amortisation	(5,616)	(1,104)	–	(533)	(7,253)
Impairment loss (note (a))	(635)	–	(737)	–	(1,372)
Closing net book amount as at 30 June 2020	107,006	9,926	5,790	6,338	129,060
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	(98)	–	(586)	–	(684)
Closing net book amount as at 30 June 2019	107,877	7,867	6,527	6,776	129,047

- (a) The impairment of RMB635,000 is made on property, plant and equipment which are not expected to derive enough economic benefit from their future operations. Impairment of RMB737,000 represents full provision of goodwill in relation to interactive live video business.

9. 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 2020	30 June 2019
Balance at 1 January	7,821	9,132
Share of gains/(losses) – net	28	(39)
Balance at 30 June	7,849	9,093

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. Financial assets at fair value through profit or loss

	Six months ended	
	30 June 2020	30 June 2019
Balance at 1 January	463	463
Additions	30,000	–
Gains recognised in profit or loss	135	–
Disposals	(30,200)	–
Balance at 30 June	398	463

11. Financial assets at fair value through other comprehensive income

	Six months ended	
	30 June 2020	30 June 2019
Balance at 1 January	5,956	6,214
Fair value gains/(losses) recognised	802	(485)
Balance at 30 June	6,758	5,729

As at 30 June 2020 and 31 December 2019, amounts represent the Group's medium to long term equity investments in private enterprises. The fair values of these investments are assessed basing on the net assets of investees which are within level 3 of fair value hierarchy.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. Trade and Other Receivables

	As at	
	30 June 2020	31 December 2019
Non-current		
Other receivables		
– Third parties	410	500
– Related parties (note 20 (iv))	1,992	–
	2,402	500
Current		
Trade receivables from third parties (note (a))	20,209	22,145
Less: provision for impairment of trade receivables	(101)	–
Trade receivables – net	20,108	22,145
Bills receivable (note (b))	3,698	1,649
Other receivables		
– Third parties	10,107	8,204
– Related parties (note 20 (iv))	91	2,062
Less: provision for impairment of other receivables		
– Third parties	(720)	(720)
Other receivables – net	9,478	9,546
Prepayments to third parties	2,924	1,508
	38,610	35,348

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. Trade and other receivables (Continued)

- (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 2020, the ageing analysis of the trade receivables-net is as follows:

	As at	
	30 June 2020	31 December 2019
Less than 30 days	16,106	19,715
31–90 days	2,743	2,032
91–180 days	786	174
181–365 days	268	17
Over 365 days	205	207
	20,108	22,145

The credit quality of trade receivables within credit limit are assessed by reference to historical information about counterparty default rates. As at 30 June 2020, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 30 June 2020, trade receivables of RMB473,000 (31 December 2019: RMB224,000) 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 2020 and 31 December 2019, bills receivable represent bank acceptance bills.

13. Restricted cash

	As at	
	30 June 2020	31 December 2019
Current		
Guarantee deposits for loans	–	7,000
Other guarantee deposit (note (a))	153	153
	153	7,153

- (a) The amount represents the tender guarantees for biddings.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. Borrowings

	As at	
	30 June 2020	31 December 2019
Current		
Secured bank borrowings	–	32,249
Unsecured bank borrowings (note (a))	114,988	59,998
	114,988	92,247

- (a) The weighted average effective interest rate (per annum) of the unsecured bank borrowings for the six months ended 30 June 2020 was 4.09% (six months ended 30 June 2019: 4.39%).

Interest expenses of the borrowings for the six months ended 30 June 2020 amounted to RMB2,078,000 (six months ended 30 June 2019: RMB2,014,000), which have been recognised as finance costs in the income statement.

The Group has undrawn loan facilities of RMB5,012,000 as of 30 June 2020 (31 December 2019: RMB83,479,000).

15. Trade and other payables

	As at	
	30 June 2020	31 December 2019
Trade payables		
– Third parties	42,130	30,872
– Related parties (note 20 (iv))	716	286
Other payables to third parties	23,006	36,499
Dividends payable	396	396
	66,248	68,053

At 30 June 2020, 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 2020	31 December 2019
Less than 30 days	31,154	25,790
31–90 days	9,720	2,945
91–180 days	50	498
181–365 days	314	172
Over 365 days	1,608	1,753
	42,846	31,158

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. Income Tax Credits

	Six months ended 30 June	
	2020	2019
Current income tax		
– Hong Kong profits tax	–	(246)
– PRC corporate income tax	–	–
– PRC dividend withholding tax	–	–
	–	(246)
Deferred income tax	3,898	2,768
	3,898	2,522

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2020 (six months ended 30 June 2019: 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%. Kongyue Information has been qualified as High and New Technology Enterprises (“HNTe”) for three years from 2017 to 2019, management anticipated the qualification can be extended for another three years from 2020 to 2023 and accordingly accounted for Kongyue Information’s CIT at the rate of 15% for the six months ended 30 June 2020 (six months ended 30 June 2019: 15%). The effective CIT rate of other group entities in the PRC is 25% (six months ended 30 June 2019: 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 should be subject to a 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 meet the requirements to the tax treaty arrangements between the PRC and Hong Kong.

During the six months ended 30 June 2020, no provision for PRC dividend withholding tax is necessary.

Overseas income tax

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. 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	
	2020	2019
Loss attributable to the shareholders of the Company (RMB'000)	(21,177)	(14,901)
Weighted average number of ordinary shares in issue (shares in thousands)	612,882	613,252
Basic and diluted loss per share (RMB per share) (note (a))	(0.035)	(0.024)

- (a) As there was no potential dilutive ordinary shares for the six months ended 30 June 2020 and 2019, respectively, diluted loss per share equals basic loss per share.

18. Dividends

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

19. Commitments

(a) Capital commitments

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

	As at	
	30 June 2020	31 December 2019
Later than 1 year and not later than 5 years	2,933	–
	2,933	–

(b) Operating lease commitments

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

	As at	
	30 June 2020	31 December 2019
No later than 1 year	1,283	318
Later than 1 year and not later than 5 years	511	–
	1,794	318

Notes to the Condensed Consolidated Interim Financial Information (continued)

(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. 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	
	2020	2019
Purchases of goods and services from parties controlled by the Au Family (note (a))	2,474	8,440

(ii) Acquisition of business

	Six months ended 30 June	
	2020	2019
Hong Rui Da	–	2,640

(iii) Key management compensation

	Six months ended 30 June	
	2020	2019
Salary and other short-term employee benefits	3,142	2,527
Share options	–	66
Retirement scheme contribution	19	31
	3,161	2,624

Notes to the Condensed Consolidated Interim Financial Information (continued)

(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 2020	31 December 2019
Other receivables		
– Cash advanced to parties controlled by the Au Family (note (b))	91	111
– Cash advanced to an associate (note (c))	1,992	1,951
	2,083	2,062
Trade payables to related parties (note (b))	716	286

- (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 cash advanced to an associate is secured by the founding shareholder of the associate and matures on 11 July 2022.

Other Information

Disclosure of Interests

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

As at 30 June 2020, 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 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 2020, 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.

Other Information (continued)

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

As at 30 June 2020, as far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. 445,027,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO. Ms. Tai Noi Kit is the spouse of Mr. Au. Accordingly, Ms. Tai Noi Kit is deemed to be interested in all the shares in which Mr. Au is interested.
3. 31,200,000 Shares were held by Jayhawk Private Equity Fund II, L.P. which is wholly-owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 30 June 2020, 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 2020:

Name	Date of grant	Exercise price HK\$	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30 June 2020	Percentage of the issued share capital of the Company as at the date of this report	Exercise period
Employees	17 December 2014	1.70 <small>(Note 2 and 3)</small>	14,530,000	–	–	(750,000)	13,780,000	2.25%	17 December 2015 to 17 December 2020 ^(Note 1)
Employees	15 May 2015	2.17 <small>(Note 4 and 5)</small>	11,890,000	–	–	(1,150,000)	10,740,000	1.75%	15 May 2016 to 15 May 2021 ^(Note 1)
Total			26,420,000	–	–	(1,900,000)	24,520,000	4.00%	

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\$1.72.
3. The exercise price was determined by the Board and was fixed at HK\$1.70 per share.
4. The closing price immediately before the date of grant was HK\$2.17.
5. The exercise price was determined by the Board and was fixed at HK\$2.17 per share.

Other Information (continued)

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

During the six months ended 30 June 2020, 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 2020, 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 the ongoing restrictions on cross border travels and social distancing caused by COVID-19 epidemic and other business commitments, the Chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 22 May 2020.

At the annual general meeting of the Company held on 22 May 2020, 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 2020 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 2020.

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 2020 had been reviewed by the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 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, 24 August 2020