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JOLIMARK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2028)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

UNAUDITED CONSOLIDATED RESULTS

The board (the “Board”) of directors (the “Directors”) of Jolimark Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	<i>Note</i>	Six months ended 30 June	
		2019	2018
		Unaudited	Unaudited
Revenue		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)

		Six months ended 30 June	
	<i>Note</i>	2019	2018
		Unaudited	Unaudited
Operating loss		(15,122)	(1,648)
Finance costs – net		(2,612)	(3,884)
Share of losses of investments accounted for using the equity method		(39)	(559)
Impairment of investment in an associate		–	(828)
		<hr/>	<hr/>
Loss before income tax		(17,773)	(6,919)
Income tax credits	6	2,522	629
		<hr/>	<hr/>
Loss for the period		(15,251)	(6,290)
		<hr/> <hr/>	<hr/> <hr/>
Loss attributable to:			
– Shareholders of the Company		(14,901)	(5,646)
– Non-controlling interests		(350)	(644)
		<hr/>	<hr/>
		(15,251)	(6,290)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share for loss attributable to the shareholders of the Company (expressed in RMB per share)			
– Basic and diluted	7	(0.024)	(0.009)
		<hr/> <hr/>	<hr/> <hr/>

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		
<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	(485)	–
Income tax relating to these items	129	–
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	(356)	–
	<hr/>	<hr/>
Total comprehensive income for the period	(15,607)	(6,290)
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	(15,235)	(5,646)
– Non-controlling interests	(372)	(644)
	<hr/>	<hr/>
	(15,607)	(6,290)
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		As at	
	Note	30 June 2019 Unaudited	31 December 2018 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		107,877	103,640
Intangible assets		6,776	5,350
Goodwill		6,527	6,376
Right-of-use assets		7,867	–
Land use right		–	8,010
Investments accounted for using the equity method		9,093	9,132
Financial assets at fair value through profit or loss		463	463
Financial asset at fair value through other comprehensive income		5,729	6,214
Deferred income tax assets		7,040	4,349
Restricted cash		–	7,000
Other receivables	9	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	9	38,906	27,390
Time deposits		57,960	57,960
Restricted cash		7,000	254
Cash and cash equivalents		78,706	95,388
Total current assets		290,836	272,868
Total assets		447,508	429,598

		As at	
	<i>Note</i>	30 June 2019 Unaudited	31 December 2018 Audited
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		9,155	12,814
Other reserves		256,707	256,185
(Accumulated losses)/retained earnings		(2,810)	8,799
		<u>263,052</u>	<u>277,798</u>
Non-controlling interests		(491)	(119)
		<u>262,561</u>	<u>277,679</u>
LIABILITIES			
Non-current liabilities			
Borrowings		–	31,543
Deferred income tax liabilities		269	475
		<u>269</u>	<u>32,018</u>
Total non-current liabilities		269	32,018
Current liabilities			
Trade and other payables	10	68,794	62,076
Contract liabilities		2,713	4,010
Current income tax liabilities		1,504	3,815
Borrowings		111,667	50,000
		<u>184,678</u>	<u>119,901</u>
Total current liabilities		184,678	119,901
		<u>184,947</u>	<u>151,919</u>
Total liabilities		184,947	151,919
Total equity and liabilities		447,508	429,598
		<u>106,158</u>	<u>152,967</u>
Net current assets		106,158	152,967
		<u>262,830</u>	<u>309,697</u>
Total assets less current liabilities		262,830	309,697

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.

3. ACCOUNTING POLICIES

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

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

The following new and amended standards are mandatory for adoption for the financial year beginning 1 January 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 4, 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.

- (b) **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.

4. 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 4(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	<u><u>–</u></u>

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.

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.

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.

5. 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.

6. 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

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.

7. 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 (<i>RMB'000</i>)	(14,901)	(5,646)
Weighted average number of ordinary shares in issue (<i>shares in thousands</i>)	613,252	642,027
Basic and diluted loss per share (<i>RMB per share</i>) (<i>note (a)</i>)	<u>(0.024)</u>	<u>(0.009)</u>

(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.

8. DIVIDENDS

	Six months ended 30 June	
	2019	2018
Final dividend	<u>–</u>	<u>12,500</u>

(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.

9. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2019	31 December 2018
Non-current		
Other receivables		
– Third parties	500	500
– Related parties	<u>1,909</u>	<u>2,658</u>
	<u>2,409</u>	<u>3,158</u>
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	<u>1,765</u>	<u>2,073</u>
	<u>38,906</u>	<u>27,390</u>
	<u>41,315</u>	<u>30,548</u>

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	<u>1,212</u>	<u>1,100</u>
	<u>17,675</u>	<u>8,150</u>

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.

10. 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
	<u>68,794</u>	<u>62,076</u>

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
	<u>42,514</u>	<u>28,188</u>

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 application, tax control solution, new retail solution, video conference and online video education system. 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 printer MCP-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-authorized 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), controlling shareholder's interests 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).

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.

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.

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jolimark.com). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 23 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang; and the independent non-executive directors of the Company are Ms. Kan Lai Kuen, Alice, Mr. Meng Yan and Mr. Yeung Kwok Keung.