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JOLIMARK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2028)

2018 ANNUAL RESULTS ANNOUNCEMENT

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	5	**329,621**	373,188
Cost of goods sold		**(224,595)**	(241,790)
Gross profit		**105,026**	131,398
Other income		**5,765**	7,663
Selling and marketing expenses		**(40,130)**	(37,740)
Administrative expenses		**(40,375)**	(47,065)
Research and development expenses		**(44,523)**	(28,111)
Other gains – net	6	**440**	1,523
Operating (loss)/profit		**(13,797)**	27,668
Finance expenses – net	8	**(10,138)**	(500)
Share of losses of investments accounted for using the equity method		**(1,081)**	(657)
Impairment of investment in associates		**(3,586)**	(6,443)
(Loss)/profit before income tax		**(28,602)**	20,068
Income tax expenses	9	**(439)**	(6,593)
(Loss)/profit for the year	7	**(29,041)**	13,475

	Note	**2018** *RMB'000*	2017 *RMB'000*
(Loss)/profit attributable to:			
– Shareholders of the Company		**(28,274)**	13,853
– Non-controlling interests		**(767)**	(378)
		(29,041)	13,475
(Loss)/earnings per share for (loss)/profit attributable to the shareholders of the Company during the year *(expressed in RMB per share)*			
– Basic	10	**(0.045)**	0.021
– Diluted	10	**(0.045)**	0.021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(29,041)**	13,475
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**1,130**	–
Income tax relating to these items	**(311)**	–
Other comprehensive income for the year, net of tax	**819**	–
Total comprehensive income for the year	**(28,222)**	13,475
Total comprehensive income for the year attributable to:		
– Shareholders of the Company	**(27,508)**	13,853
– Non-controlling interests	**(714)**	(378)
	(28,222)	13,475

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**103,640**	94,402
Land use rights		**8,010**	8,299
Intangible assets		**11,726**	11,911
Investments accounted for using the equity method		**9,132**	14,870
Financial assets at fair value through profit or loss	13	**463**	–
Financial assets at fair value through other comprehensive income		**6,214**	–
Available-for-sale financial assets		**–**	2,556
Deferred income tax assets		**4,349**	2,190
Restricted cash		**7,000**	58,120
Other receivables		**3,158**	1,781
Other assets		**3,038**	–
		156,730	194,129
Current assets			
Inventories		**91,876**	79,795
Trade and other receivables	12	**27,390**	49,997
Financial assets at fair value through profit or loss	13	**–**	20,092
Time deposits		**57,960**	–
Restricted cash		**254**	253
Cash and cash equivalents		**95,388**	171,056
		272,868	321,193
Total assets		**429,598**	515,322
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**12,814**	51,297
Other reserves		**256,185**	252,643
Retained earnings		**8,799**	40,365
Non-controlling interests		**(119)**	(455)
Total equity		**277,679**	343,850

	Note	**2018**	2017
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**31,543**	50,154
Deferred income tax liabilities		**475**	667
		32,018	50,821
Current liabilities			
Trade and other payables	14	**62,076**	86,317
Contract liabilities		**4,010**	–
Current income tax liabilities		**3,815**	4,334
Borrowings		**50,000**	30,000
		119,901	120,651
Total liabilities		**151,919**	171,472
Total equity and liabilities		**429,598**	515,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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) These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 22 March 2019.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018.

HKAS 28 (Amendments)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 1 (Amendments)	First Time Adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

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 had to change its accounting policies and make modified retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and

- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 4. The 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) New and amended standards and interpretations issued but are not effective for financial year ended 31 December 2018 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 16	Lease	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates or Joint Ventures	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
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

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the one set out below:

HKFRS 16, Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB1,832,000. The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group expects to increase in the amount of recognized financial liabilities and right-of-use assets for significant long term lease contracts. Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group does not expect any significant impact on the financial statements for the Group's activities as a lessor. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the consolidated financial statements of the Group.

(a) Impact on the financial statements

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

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

Consolidated balance sheet (extract)	31 December 2017 *RMB'000*	HKFRS 9 *RMB'000*	HKFRS 15 *RMB'000*	1 January 2018 Reclassified *RMB'000*
Non-current assets				
Financial assets at fair value through other comprehensive income ("FVOCI")	–	2,556	–	2,556
Available-for-sale financial assets	2,556	(2,556)	–	–
Total assets	2,556	–	–	2,556
Current liabilities				
Trade and other payables	86,317	–	(13,615)	72,702
Contract liabilities	–	–	13,615	13,615
Total liabilities	86,317	–	–	86,317

(b) HKFRS 9 Financial Instruments

(i) Classification and measurement

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

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has classified its financial instruments into the appropriate HKFRS 9 categories.

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

(ii) Impairment of financial assets

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

(c) HKFRS 15 Revenue from Contracts with Customers

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

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	86,317	(13,615)	72,702
Contract liabilities (i)	–	13,615	13,615

(i) Presentation of liabilities related to contracts with customers

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

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

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

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 other electronic products.

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

The segment revenue and results and the reconciliation with loss for the year ended 31 December 2018 are as follows:

	Printers	**Other electronic products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue (from external customers) *(note (a))*	326,591	3,030	329,621
Segment results	59,152	1,077	60,229
Other income			5,765
Administrative expenses			(40,375)
Research and development expenses			(44,523)
Other gains – net			440
Finance expenses – net			(10,138)
Income tax expenses			(439)
Loss for the year			(29,041)
Segment results include:			
Share of losses of investments accounted for using the equity method	(1,081)	–	(1,081)
Impairment of investment in associates	(3,586)	–	(3,586)
Depreciation and amortization	(6,543)	(226)	(6,769)

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2017 are as follows:

	Printers *RMB'000*	**Other electronic products** *RMB'000*	**Total** *RMB'000*
Revenue (from external customers) *(note (a))*	367,482	5,706	373,188
Segment results	85,159	1,399	86,558
Other income			7,663
Administrative expenses			(47,065)
Research and development expenses			(28,111)
Other gains – net			1,523
Finance expenses – net			(500)
Income tax expenses			(6,593)
Profit for the year			13,475
Segment results include:			
Share of losses of investments accounted for using the equity method	(657)	–	(657)
Impairment of investment in an associate	(6,443)	–	(6,443)
Depreciation and amortization	(5,649)	(322)	(5,971)

(a) Revenues from external customers are for sales of goods. There are no inter-segment sales for the years ended 31 December 2018 and 2017.

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

	2018 ***RMB'000***	**2017** *RMB'000*
In the PRC	296,665	345,440
In other countries	32,956	27,748
	329,621	373,188

(c) In 2018, approximately 13% of total revenue (2017: approximately 10%) were derived from a single external customer, which is attributable to the segment of printers.

(d) As at 31 December 2018, the Group's non-current assets were mainly located in the PRC

6. OTHER GAINS – NET

	2018	2017
	RMB'000	*RMB'000*
Gains on financial assets at fair value through profit or loss – net	**747**	92
Foreign exchange (losses)/gains – net	**(56)**	1,761
Losses from disposal of machinery and equipment	**(62)**	(398)
Impairment of available for sale financial assets	**–**	(793)
Others	**(189)**	861
	440	1,523

7. (LOSS)/PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
(Loss) / Profit for the year has been arrived at after charging the following items:		
Depreciation of property, plant and equipment and amortization of land use rights and intangible assets	**11,221**	9,692

8. FINANCE EXPENSES – NET

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**(5,062)**	(4,016)
Interest expenses on borrowings from a non-controlling shareholder	**(192)**	–
Exchange (losses)/gains on bank borrowings	**(4,884)**	3,516
	(10,138)	(500)

9. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current income tax expenses		
– Hong Kong profits tax *(note (a))*	**–**	–
– PRC corporate income tax *(note (b))*	**(653)**	(3,757)
– PRC dividend withholding tax *(note (c))*	**(2,612)**	(2,750)
	(3,265)	(6,507)
Deferred income tax	**2,826**	(86)
	(439)	(6,593)

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group did not have any assessable profits during the year ended 31 December 2018 (2017: nil).

(b) PRC corporate income tax

The corporate income tax (the "CIT") of Kong Yue Electronics & Information Industry (Xinhui) Limited ("Kongyue Information") is provided for on the basis of its profit reported in the PRC statutory financial statements, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT rate is 25%. As Kongyue Information has been qualified as High and New Technology Enterprises ("HNTE") for three years from 2017 to 2020, it enjoys a preferential CIT rate at 15% for the year ended 31 December 2018 (2017: 15%). The effective CIT rate of other Group entities in the PRC is 25% (2017: 25%).

(c) 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 year, the Group incurred withholding income tax of RMB2,612,000 (2017: RMB2,750,000). No deferred income tax has been provided for PRC dividend withholding tax as at 31 December 2018.

(d) Overseas income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 Revision) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Subsidiaries of the Company in the BVI are incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from income tax in the BVI.

10. EARNINGS PER SHARE

– Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
(Loss)/profit attributable to the shareholders of the Company *(RMB'000)*	**(28,274)**	13,853
Weighted average number of ordinary shares in issue (shares in thousands)	**632,260**	655,749
Basic (loss)/earnings per share *(RMB per share)*	**(0.045)**	0.021

– Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company for the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2018	2017
(Loss)/profit attributable to the shareholders of the Company *(RMB'000)*	**(28,274)**	13,853
Weighted average number of ordinary shares in issue *(shares in thousands)*	**632,260**	655,749
Adjustments for share options *(shares in thousands)*	**–**	296
Weighted average number of ordinary shares for diluted earnings per share *(shares in thousands)*	**632,260**	656,045
Diluted (loss)/earnings per share *(RMB per share)*	**(0.045)**	0.021

11. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Proposed final dividend *(note (a))*	**–**	12,500
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.019 (2017: RMB0.033) per ordinary share *(note (b))*	**12,500**	22,000

(a) No dividend was recommended by the directors for the year ended 31 December 2018 (for the year ended 31 December 2017: RMB0.019 per ordinary share totalling approximately RMB12,500,000).

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

12. TRADE AND OTHER RECEIVABLES

The Group's sales to customers are generally granted with credit terms ranging from 30 to 90 days or extended as considered appropriate by the directors of the Company. As at 31 December 2018, the ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**5,249**	9,786
31–90 days	**1,424**	1,181
91–180 days	**325**	4,585
181–365 days	**52**	621
Over 365 days	**1,100**	741
	8,150	16,914

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
A put option	**463**	–
A wealth management product *(Note (a))*	**–**	20,092
	463	20,092

(a) The balance at 31 December 2017 represented the deposit in a commercial bank in the PRC with a guaranteed capital protection and maturity of 6 months, which was collected during the year ended 31 December 2018.

14. TRADE AND OTHER PAYABLES

At 31 December 2018, 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 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**19,002**	22,644
31–90 days	**7,448**	4,390
91–180 days	**612**	545
181–365 days	**141**	547
Over 365 days	**985**	1,418
	28,188	29,544

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

Printer Business

For the year ended 31 December 2018, the revenue of the Group derived from the printer business amounted to approximately RMB326,591,000, accounted for approximately 99% of the total revenue of the Group, and representing a decrease of approximately 11% as compared with 2017. The decrease in revenue was mainly attributable to a decrease in demand for invoicing printers in domestic market in 2018.

Other Electronic Products Business

For the year ended 31 December 2018, the revenue of the Group derived from the other electronic products business amounted to approximately RMB3,030,000, accounted for approximately 1% of the total revenue of the Group.

Future Business Outlook

Guided by the strategy of printers into the cloud-based ecology, five sectors of business initiatives and activities were engaged in 2018, namely printing equipment, cloud printing and cloud-based application, tax control solutions, new retail business, and video conference system and interactive education platform. These business initiatives laid a solid foundation for the Company's operation in 2019. Business outlook for the coming year is as follows:

1. Printing Equipment

After years of development, our printing equipment now comprises a comprehensive range of reliable products, with a large and stable user base. All our products are self-developed, and we have ownership of all of the intellectual property rights. The Company has mastered core technologies for the dot-matrix print head and inkjet head, supported by an industry chain which provides us with an economy of scale, cost advantage and brand influence. Main products of printing equipment include dot-matrix printers, inkjet printers, mini invoice printers and barcode printers, among others. In 2018, the new dot-matrix printer products include the high-speed horizontal feeding passport and invoice printer series. Mini invoice printers mainly include lottery ticket terminal printers, heat-sensitive barcode and label printers and POS-bundled heat-sensitive mini printers. Printing invoices, statements, bills and passbooks can be done with one single machine, which greatly enhanced the Company's competitiveness among other similar products. As new products are being launched into the market in synergy with projects under development, the Company is creating a solid foundation for competitiveness.

2. *Cloud Printing and Cloud Printing Application Solutions*

Cloud printing technology is the most significant result of the Company's recent research and development, and has already become two of our core technologies, Jolimark cloud-printing open platform and Jolimark cloud printing application solutions, which enable us to expand and enter new markets. In particular, Jolimark cloud-printing open platform utilizes open-access technological platform to provide safe, high-calibre, versatile, simple and convenient cloud printing technology, equipment and service, helping third-party developers to establish their cloud-printing capabilities with ease and efficiency. Currently, the platform supports cloud-printing products including heat-sensitive printers, barcode and label printers, dot-matrix mini printers, dot-matrix horizontal feeding printers and inkjet printers, among others. Supported network connections include Wi-Fi, Ethernet, 4G, Bluetooth and GPRS. Meanwhile, Jolimark cloud application store has many other applications for businesses to choose from to satisfy different office needs. For example, the shared standard working sheet can greatly reduce the time and cost for small- to middle-sized enterprises in making forms. Other solutions include e-conference, shared document cloud printers and counter service cloud printers.

3. *Tax Control Solution*

The Company has been engaged in the research, development and promotion of tax control products and the provision of tax control solutions for customers for many years and has accumulated a wealth of experience in the field of tax control. As an important tax control solution and product provider in China, the Company follows the national tax control policy and develops corresponding tax control products promptly. In addition to conventional promotional campaigns, the marketing of our traditional tax control products are now actively driven by our unique, pioneering tax control solutions under the principle of "bringing out the old with the new, breaking through with new products". For example, our Wechat electronic invoice cloud printing solutions enables quick and easy printing of electronic invoices with scanning Wechat codes. Once launched, tax control service providers came to collaborate with the Company as there were almost no better alternatives available. We also promote our tax control products in a more systematic, effective way by linking our software to our hardware products. We also plan to develop an invoice reimbursement management system for business use which enables electronic invoice automated printing, invoice verification and preventing double reimbursement for the same invoice. From this we build up a strong, comprehensive tax control solution package that satisfies a whole array of requirements.

4. New Retail Business

As the core product of the Company's new retail business, our Kamo membership system has been upgraded into a SaaS (Software as a Service) structured software product after multiple generations and several years of market adaptation. It can provide personalised services for customers with greater flexibility, with a more comprehensive functional module management and platform-level authorisation system. A comprehensive online mall system is also in place which provides a variety of marketing activities and campaigns including viral marketing, group deals, flash sales, limited-time mob sales and pre-orders. In particular, the new retail fan viral marketing system is the most distinctive one. Based on viral sharing, it enables marketing through social interactions and broadcast and rewards participants including employees, customers and agents with Wechat red packets, turning everyone into a potential salesperson. On top of the basic version of Kamo, the Company also launched solutions suited for different industries according to different usages, targeting chiefly restaurant, beauty salons, hotels, retails and hybrid chain stores. The system also allows online payment and a mixture of coupons and membership points, as well as Wechat self-service electronic invoicing and printing. The Company also adopts the strategy of integrating software and hardware in the provision of solutions under the new retail business to enhance its competitiveness. In 2018, we made an important addition to our new retail business portfolio, our latte art printer series. It is equipped with an application that supports code-scanning latte art modes, making everything from image choice, effect treatment, text editing, printing configurations and the printing process under the customer's control. In addition, the Company will launch our new color manicure machine in the first half of 2019.

5. Video Conference System and Interactive Education Platform

As dispersed office becomes more widespread, a more effective and intuitive communication tool becomes necessary for brainstorming and business meetings, a trend which singles out interactive video conference systems as the most effective choice. As common sense goes, premium teachers are the most sought-after in the education sector, and an interactive education platform enabling multiple connections can multiply the effect achieved by premium teacher resources. It could also allow students from remote regions to benefit from quality education, and save time for students who would have to commute within the same city. The Company's interactive video conference system and one-to-many interactive education platform are established under these ideals. The system also incorporates augmented reality (AR) technology which allows one to add interesting, relaxing images to the video to replace the drab, monotonous background in the original video so as to enhance the meeting experience or make the teaching more entertaining. Moreover, our new generation of Jolimark Android projector supports wireless projection from smartphones or laptops, and has an in-built Jolimark conference software which can easily set up multi-party remote conferences and real-time remote sharing of projected images. It is an entire video conferencing system built into a single projector.

Financial Review

Results Summary

For the year ended 31 December 2018, the Group's turnover amounted to approximately RMB329,621,000, representing a decrease of approximately 12% as compared with last year. The loss attributable to shareholders of the Company amounted to approximately RMB28,274,000, as compared to a profit of RMB13,853,000 last year. The basic loss per share was approximately RMB0.045 (the basic earnings per share as at 31 December 2017: RMB0.021). The loss attributable to shareholders was mainly due to a decrease in sales revenue and gross profit margin, an increase in research and development contributions and provision for assets and investments in 2018.

Analysis of Sales and Gross Profit

Compared with 2017, the consolidated revenue of the Group decreased by approximately 12%. Gross profit margin decreases from approximately 35% in 2017 to approximately 32%. The decrease in gross profit margin is mainly due to the strengthening of promotion policy.

Capital Expenditure

For the year ended 31 December 2018, capital expenditure of the Group amounted to approximately RMB18,258,000, which was mainly used for the acquisition of production equipment, construction of new office building and order of product molds for products.

Financial and Liquidity Position

As at 31 December 2018, the total assets of the Group amounted to approximately RMB429,598,000 (31 December 2017: RMB515,322,000), controlling shareholder's interests amounted to approximately RMB277,798,000 (31 December 2017: RMB344,305,000); non-controlling interests amounted to approximately RMB(119,000) (31 December 2017: RMB(455,000)); current liabilities amounted to approximately RMB119,901,000 (31 December 2017: RMB120,651,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 2.28 (31 December 2017: 2.7). The decrease in current ratio was mainly attributable to a decrease in current assets amounted to approximately RMB48,325,000 in current year.

As at 31 December 2018, 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 RMB160,602,000 (31 December 2017: RMB249,521,000) in aggregate, whereas the bank loans of the Group amounted to approximately RMB81,543,000 (31 December 2017: RMB80,154,000). The Group was in a net cash position after deducting the loans.

As at 31 December 2018, the Group received outstanding bank acceptance bills from customers amounted to approximately RMB6,494,000 (31 December 2017: RMB16,682,000).

Pledge of Assets

As of 31 December 2018, deposits with certain banks totaling RMB7,000,000 (31 December 2017: RMB57,960,000) were used as security for bank loans facilities, i.e. onshore guarantees for offshore loans. The relevant bank deposits will be released upon the settlement of relevant bank loans.

Foreign Currency Risks

The Group mainly operates in Mainland China with most of the transactions denominated and settled in RMB. However, the Group is exposed to foreign exchange risks for assets and liabilities denominated in United States dollars ("**US$**"), Taiwanese dollars ("**TWD**"), Euro and Hong Kong dollars ("**HK$**") arising from importation of certain raw materials and machinery from overseas suppliers, sales of goods to overseas customers and borrowings that are denominated in foreign currencies. As at 31 December 2018, the Group had more monetary financial liabilities than financial assets outside the Mainland China.

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

Acquisition and Disposal

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

In 2018, Kong Yue Electronics & Information Industry (Xin Hui) Ltd., a subsidiary of the Group invested 4% shareholdings in 湖南承萌教育文化發展有限公司 with contractual price of investment agreement amounted to RMB2,000,000. 湖南承萌教育文化發展有限公司 engages in education management, arts training and provision of operating services. During the same year, Kong Yue Electronics & Information Industry (Xin Hui) Ltd. invested RMB1 million to 新余凱易教育投資合夥企業, to take equity interest of 19.96%. 新余凱易教育投資合夥企業 focuses on education investment.

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

Contingent Liabilities

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

Staff

As at 31 December 2018, the Group employed a total of 1,061 staffs (2017: 1,140 staffs). Apart from 32 employees employed in Hong Kong and overseas, the rest 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.

Final Dividend

The Board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2018 (Year ended 31 December 2017: RMB 0.019 per share).

Closure of Register of Members

The annual general meeting of the Company will be held on Tuesday, 21 May 2019. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 16 May 2019 to Tuesday, 21 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 15 May 2019.

Scope of work of PricewaterhouseCoopers

The figures in respect of this announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's external auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

Audit committee

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Lai Ming, Joseph as the chairman, Mr. Meng Yan and Mr. Yeung Kwok Keung. All of them are independent non-executive Directors. For the year ended 31 December 2018, the Audit Committee held two meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding the internal control and financial reporting (including the interim and annual results before proposing them to the Board for approval) with the management and external auditor. The Audit Committee has reviewed the results of the Group for the year ended 31 December 2018.

Compliance with the corporate governance code

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as in effective from time to time (the "**CG Code**") during the year ended 31 December 2018, save for the deviation from code provision E.1.2 below.

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

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

Further information of the corporate governance practice of the Company will also be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2018.

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

During the year ended 31 December 2018, the Company repurchased in aggregate 44,182,000 shares of the Company on the Stock Exchange for an aggregate consideration of about HK$35,563,130 (highest repurchase price was HK$1.20 per share, and the lowest repurchase price was HK$0.445 per share). All the repurchased shares were subsequently cancelled. The Directors are of the view that such repurchases have the effect of enhancing the earnings per share of the Group and would benefit the shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries bought back, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

Model code for securities transactions

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2018 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2018.

Publication of annual results announcement and annual report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jolimark.com). The annual report of the Company for the year ended 31 December 2018 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, 22 March 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 Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Yeung Kwok Keung.