



JOLIMARK HOLDINGS LIMITED
映美控股有限公司

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

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Corporate Information

DIRECTORS

Executive Directors

Mr. Au Pak Yin (*Chairman*)
Mr. Au Kwok Lun
Mr. Ou Guo Liang
Mr. Ng Shu Kai

Independent Non-Executive Directors

Mr. Lai Ming, Joseph
Mr. Meng Yan
Mr. Xu Guangmao

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350 GT
George Town, Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1005
10th Floor, Olympia Plaza
255 King's Road
North Point
Hong Kong

AUTHORISED REPRESENTATIVE

Mr. Au Kwok Lun
Mr. Ng Shu Kai

AUDIT COMMITTEE

Mr. Lai Ming, Joseph
(*chairman of audit committee*)
Mr. Meng Yan
Mr. Xu Guangmao

AUDITORS

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

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712–16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Guangdong Development Bank

STOCK CODE

2028

WEBSITE

www.jolimark.com

Management's Discussion and Analysis

BUSINESS REVIEW

“Printer and Tax Control Equipment” Business

In view of intensive competition in printer market and to further increase the market share of Jolimark's printers, the Group adopted a competitive pricing strategy for the printer and tax control equipment business during the first half of 2007, which brought an increase of the turnover of the printer and tax control equipment business by 6% to RMB276,777,000, contributing 71% of the Group's turnover. Sales of Jolimark brand products increased by 5% comparing with the corresponding period of last year, which amounted to RMB64,191,000, and accounted for 23% of turnover of this business line. Gross profit margin for printer and tax control equipment of the first half of the year decreased significantly which was mainly due to the decrease of gross profit margin for Jolimark brand products.

Projector Business

The turnover of the projector business decreased by 13% to RMB86,909,000 compared with the corresponding period of last year, resulting mainly from the delayed production of certain customers' orders. However, with the rapid growth of computer projector market in the PRC and based on the number of expected customers' orders, the Group is confident that its computer projector business will recover rapidly in the second half of the year and the turnover for the whole year can maintain a stable growth. At the same time, owing to the low gross profit margin of the computer projector distribution business, the gross profit margin of the computer projector business during the first half of the year decreased from 12% in the corresponding period of last year to 8%.

Other Electronic Products Manufacturing Business

The Group's other electronic products manufacturing business (including the manufacturing of envelope machines) also achieved stable growth, with its turnover amounting to RMB27,389,000, representing an increase of 28% compared with that of the corresponding period of last year, contributing 7% of the Group's turnover. The increase was mainly attributed to the increase of the existing customers' orders. The Group's other electronic products manufacturing business mainly focused on optical-electro-mechanical integrated products, which were mainly sold to the overseas small-middle customers. Thus, the Group can maintain a relative stable gross profit margin, which increased by 2% to 15% during the first half of the year compared with that of the corresponding period of last year. Leveraging on its strong customer base, better quality control, professional customer services, and the advantage of low manufacturing costs, the Group is confident that the electronics manufacturing services business will maintain a stable growth this year.

Management's Discussion and Analysis

FINANCIAL REVIEW

Results Summary

The turnover of the Group for the six months ended 30 June 2007 was RMB391,075,000, increased by 2% compared with that of the corresponding period of last year. The gross profit margin decreased to 12%, compared with 15% for corresponding period of last year.

During the period, the Group recorded an operating profit of RMB3,770,000, representing a decrease of RMB14,887,000 from the corresponding period of last year, which was mainly attributed to the intensive competition in the printer and tax control equipment market. The Group adopted a more competitive pricing strategy in the first half of 2007, which led to a slight increase in the turnover. However, the gross profit decreased, resulting in a much lower net profit compared with that of the corresponding period of last year.

During the period, the profit attributable to shareholders was RMB2,250,000, and the basic earnings per share was RMB0.004, representing a decrease of RMB8,573,000 and RMB0.017, respectively, from the corresponding period of last year.

Operating Results Analysis by Product

Items	For the six months ended 30 June					
	2007			2006		
	Turnover RMB'000	Gross Profit RMB'000	Gross Profit Margin	Turnover RMB'000	Gross Profit RMB'000	Gross Profit Margin
Printer and tax control equipment	276,777	37,281	13%	261,207	43,645	17%
Projectors	86,909	7,033	8%	100,218	11,867	12%
Other electronic products	27,389	4,132	15%	21,332	2,770	13%
Total	391,075	48,446	12%	382,757	58,282	15%

Acquisition and Disposal

Given that the projector market in the PRC will rapidly grow in the next five years, Visionic, a wholly owned subsidiary of the Group, entered into an agreement with Phenix Optics Ltd. ("Phenix Optics") in March 2007 to acquire the interests of Phenix Digital Technology (Shanghai) Limited ("Shanghai Phenix Digital") held by Phenix Optics at a consideration of RMB4,340,000. After the acquisition, Shanghai Phenix Digital became a wholly owned subsidiary of the Group. Phenix Optics is mainly engaged in the development, manufacturing and distribution of digital display products. In view of the strong demand of high quality and price-competitive products from the small-middle enterprises and the education sector, the Group will develop and launch the first series of projectors under "Jolimark" brand name by the end of this year. The Group believes that Jolimark's projector business will benefit from the growing projector market in the People's Republic of China (the "PRC").

Management's Discussion and Analysis

Capital Expenditure

For the six months ended 30 June 2007, capital expenditure amounted to RMB8,188,000, which was mainly used for the purchase of moulds for production and research and development equipment.

Liquidity and Financial Position

As at 30 June 2007, the total assets of the Group amounted to RMB775,949,000 (2006: RMB776,995,000), shareholder's fund amounted to RMB550,155,000 (2006: RMB559,725,000), minority interests amounted to RMB12,081,000 (2006: RMB15,889,000) and current liabilities amounted to RMB213,713,000 (2006: RMB201,381,000). The current ratio of the Group was 3.02 (2006: 3.22).

As at 30 June 2007, the cash and the cash equivalents of the Group amounted to RMB63,928,000 (2006: RMB100,834,000).

As at 30 June 2007, the bank loans of the Group amounted to RMB83,333,000 (2006: RMB57,809,000) and the gearing ratio was 10.7%. The Group had no assets held under finance lease or operating lease during the period.

Contingent Liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

Staff

As at 30 June 2007, the Group employed a total staff of 1,006, of which all staff were employed in Mainland China except for 11 were employed in Hong Kong and overseas. The Group implemented its remuneration policy based on the results and the performance of an individual staff member. In addition, fringe benefits such as insurance, medical allowance and pension were provided to ensure the competitiveness of the Group.

Change of Qualified Accountant and Company Secretary

Mr. Wong Kwok Kuen ("Mr. Wong") has tendered his resignation as the Financial Controller, Qualified Accountant and Company Secretary of the Company with effect from 23 August 2007 due to personal reasons. Meanwhile, Mr. Li Ho Cheong ("Mr. Li") has been appointed as the Qualified Accountant and Company Secretary of the Company with effect on or before 17 October 2007. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants and has over 9 years of experience in audit and accounting.

Management's Discussion and Analysis

FUTURE BUSINESS OUTLOOK

For the printer and tax control equipment business, as the commencement of Golden Tax Project Phase III and the steady demand of matrix printers from such sectors as financial, medical, education and communication, the Group expects that the matrix printer market in the PRC will maintain a stable growth in the coming years. Meanwhile, the Group also believes that dot matrix printers, thermal mini printers and bar-code printers will become more and more popular, and their markets will expand at a rapid pace. The Group's strategy for growth is to strengthen the development of the products under Jolimark brand name. Although the competition in the matrix printer market is intensive, the sales of Jolimark's products increased in the first half of the year as the Group leveraged its cost advantages through the implementation of its pricing strategy. Following the delivery of "China Mobile" order beginning from the second half of the year and the invitations of tenders for distance education projects, the Group expects Jolimark brand business will enjoy a robust growth in the second half of the year. In addition, the Group will launch a brand new series of products, which will definitely help the Group improve the gross profit margin. In the first half of this year, the new business of mini printers under Jolimark brand name held successful marketing activities. In particular, the self-developed mini printer mechanism products were well received by many manufacturers of tax control electronic cash registers. It is expected that, in the second half of the year and the coming years, the mini printers will be the new driver for a substantial growth of the printer business of the Group. The invitations of tenders for tax control electronic cash registers of Golden Tax Project Phase III will be commenced in the second half of 2007. In light of the competition edges of the Group in this sector, tax control equipment will be the strong growth point of the Group in the next few years.

For the projector business, the Group expects that the projector business would record a significant growth for the whole year. With completion of the stock clearance of projector products under its distributorship, the Group expects the gross profit margin of the projector business for the second half of the year would improve over the first half of the year. As the projector market has expanded rapidly, the Group expects the size of the PRC's projector market will reach RMB 8 billion by 2008. In addition, the Group also plans to launch projectors under "Jolimark" brand name in the second half of the year, and believe that, taking advantage of its distribution channels for the printers and its reputable brand name, the sales of Jolimark's projectors brand will increase rapidly in the coming years.

For the manufacturing of other electronic products, the Group mainly focuses on the OEM manufacturing of optical-electro-mechanical integrated products, with its major customers are overseas small-middle enterprises. Accordingly, the gross profit margin is higher and more stable. The Group will mainly strengthen the expansion in Japan and European and US markets, and seek opportunities for investment and acquisition in the future, so as to enhance the Group's competitive edges in the sector of manufacturing of optical-electro-mechanical integrated products.

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

	Note	As at	
		30 June 2007 Unaudited	31 December 2006 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	102,610	101,901
Land use right	5	11,334	11,478
Intangible assets	5	1,700	3,019
Interests in associates		9,080	9,007
Available-for-sale financial assets		1,050	1,050
Deferred income tax assets		4,460	2,005
		130,234	128,460
Current assets			
Inventories		282,614	243,410
Trade and other receivables	6	299,173	304,291
Cash and cash equivalents		63,928	100,834
		645,715	648,535
Total assets		775,949	776,995
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	7	282,194	282,194
Other reserves		185,252	185,252
Retained earnings			
— Proposed dividend		—	11,820
— Unappropriated retained earnings		82,709	80,459
		550,155	559,725
Minority interests		12,081	15,889
Total equity		562,236	575,614

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

		As at	
		30 June	31 December
		2007	2006
	Note	Unaudited	Audited
LIABILITIES			
Current liabilities			
Trade and other payables	8	123,484	134,065
Current income tax liabilities		6,896	9,507
Borrowings	9	83,333	57,809
		213,713	201,381
Total equity and liabilities		775,949	776,995
Net current assets		432,002	447,154
Total assets less current liabilities		562,236	575,614

The notes on pages 12 to 21 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

	Note	Unaudited	
		Six months ended 30 June	
		2007	2006
Turnover		391,075	382,757
Cost of goods sold		(342,629)	(324,475)
Gross profit		48,446	58,282
Other income		906	2,920
Selling and marketing costs		(16,008)	(15,003)
Administrative expenses		(29,435)	(28,075)
Other (losses)/gains — net		(139)	533
Operating profit		3,770	18,657
Finance costs		(2,080)	(3,516)
Share of gains/(losses) of associates		73	(1,028)
Profit before income tax		1,763	14,113
Income tax credit/(expenses)	10	1,064	(3,036)
Profit for the period		2,827	11,077
Attributable to:			
Shareholders of the Company		2,250	10,823
Minority interests		577	254
		2,827	11,077
Basic and diluted earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)	11	0.004	0.021
Dividend	12	—	6,429

The notes on pages 12 to 21 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

	Unaudited				Total
	Attributable to shareholders of the Company				
	Share capital and premium (note 7)	Other reserves	Retained earnings	Minority interests	
Balance at 1 January 2006	140,495	180,132	76,081	11,895	408,603
Share placement	90,846	—	—	—	90,846
Share placement costs	(2,468)	—	—	—	(2,468)
Profit for the period	—	—	10,823	254	11,077
Final dividends for 2005	—	—	(14,679)	—	(14,679)
Balance at 30 June 2006	228,873	180,132	72,225	12,149	493,379
Balance at 1 January 2007	282,194	185,252	92,279	15,889	575,614
Profit for the period	—	—	2,250	577	2,827
Dividends declared to a minority interest	—	—	—	(45)	(45)
Acquisition from a minority interest	—	—	—	(4,340)	(4,340)
Final dividends for 2006 (note 12)	—	—	(11,820)	—	(11,820)
Balance at 30 June 2007	282,194	185,252	82,709	12,081	562,236

The notes on pages 12 to 21 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2007	2006
Cash (used in)/generated from operating activities – net	(43,166)	6,273
Cash flows from Investing activities		
Purchase of property, plant and equipment	(7,648)	(4,443)
Purchase of intangible assets	(540)	(1,344)
Proceeds from sale of property, plant and equipment	–	302
Interest received	286	740
Cash used in investing activities – net	(7,902)	(4,745)
Cash flows from financing activities		
Proceeds from placement of shares	–	90,846
Share issuance costs	–	(2,468)
Proceeds from borrowings	105,387	50,000
Repayments of borrowings	(79,040)	(50,000)
Dividend paid to the shareholders of the Company	(11,820)	(14,679)
Cash generated from financing activities – net	14,527	73,699
Net (decrease)/increase in cash and cash equivalents	(36,541)	75,227
Cash and cash equivalents at beginning of the period	100,834	112,841
Exchange loss on cash and cash equivalents	(365)	–
Cash and cash equivalents at end of the period	63,928	188,068

The notes on pages 12 to 21 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

1. GENERAL INFORMATION

Jolimark Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is a provider of business equipment and tax control equipment based in the People’s Republic of China (the “PRC”). The Group’s principal activities are manufacture and sale of printers, tax control equipment, projectors and other electronic products.

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 GT, George Town, Grand Cayman, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 29 June 2005.

This condensed consolidated interim financial information was approved for issue on 18 September 2007.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2007:

HKAS 1 — Amendments to Capital Disclosures, effective for annual periods beginning on or after 1 January 2007;

HKFRS 7 — Financial Instruments Disclosures, effective for annual periods beginning on or after 1 January 2007;

HK(IFRIC)-Int 7 — Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies, effective for annual periods beginning on or after 1 March 2006;

HK(IFRIC)-Int 8 — Scope of HKFRS 2 Share-based Payment, effective for annual periods beginning on or after 1 May 2006;

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HK(IFRIC)-Int 9 — Reassessment of Embedded Derivatives, effective for annual periods beginning on or after 1 June 2006;

HK(IFRIC)-Int 10 — Interim Financial Reporting and Impairment, effective for annual periods beginning on or after 1 November 2006.

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group's interim financial information.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year ending 31 December 2007 and have not been early adopted:

HKFRS 8 — Operating Segments, effective for annual periods beginning on or after 1 January 2009;

HK(IFRIC)-Int 11 — HKFRS 2 Group and Treasury Share Transactions, effective for annual periods beginning on or after 1 March 2007;

HK(IFRIC)-Int 12 — Service Concession Arrangements, effective for annual periods beginning on or after 1 January 2008;

HKAS 23 (revised) — Borrowing Costs, effective for annual periods beginning on or after 1 January 2009.

The management is currently in the process of assessing the impact of application of these new standards, amendments or interpretations on the Group's financial statements in the period of initial application.

4. SEGMENT INFORMATION

No business segment information of the Group is presented as the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and sales activities of printers, tax control equipment, projectors and other electronic products.

The directors of the Company are of the view that the presentation of geographical segment information is not meaningful since the Group's production is based in the PRC, and there is no substantial difference in risk and reward of revenue derived from markets in or outside the PRC.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

5. CAPITAL EXPENDITURE

	Property, plant and equipment	Land use right	Intangible assets
Six months ended 30 June 2006			
Opening net book amount as at 1 January 2006	57,836	—	1,842
Additions	4,443	—	1,344
Disposals	(302)	—	—
Depreciation and amortisation charge	(6,594)	—	(50)
Closing net book amount as at 30 June 2006	55,383	—	3,136
Six months ended 30 June 2007			
Opening net book amount as at 1 January 2007	101,901	11,478	3,019
Additions	7,648	—	540
Disposals (note (a))	(74)	—	(1,692)
Depreciation and amortisation charge	(6,865)	(144)	(167)
Closing net book amount as at 30 June 2007	102,610	11,334	1,700

- (a) In the six months ended 30 June 2007, the Group acquired the remaining 35% equity interests in Phenix Digital Technology (Shanghai) Limited ("Shanghai Phenix Digital"), a subsidiary of the Group. Pursuant to the sale and purchase agreement, Shanghai Phenix Digital can no longer use the trademark contributed by its former shareholder in its continuous business activities, therefore the carrying amount of the trademark was written off.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

6. TRADE AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2007	2006
Trade receivables		
– Third parties	239,447	256,090
– Related parties (note 13)	5,407	4,124
	244,854	260,214
Less: provision for impairment of receivables	(6,288)	(6,288)
Trade receivables – net	238,566	253,926
Prepayments		
– Third parties	36,272	23,955
– Related parties (note 13)	7,121	5,674
Other receivables		
– Third parties	8,737	11,154
– Amounts due from associates (note 13)	–	1,072
– Related parties (note 13)	8,477	8,510
	299,173	304,291

As at 30 June 2007, the fair value of trade and other receivables approximate their carrying amounts.

The Group's sales to corporate customers are entered into on credit terms ranging from 30 to 180 days or extended as considered appropriate by the director in charge of the sales department. At 30 June 2007, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	As at	
	30 June	31 December
	2007	2006
0-30 days	130,668	136,217
31-90 days	71,679	57,817
91-180 days	17,065	14,483
181-365 days	16,384	38,597
Over 365 days	9,058	13,100
	244,854	260,214

There is no concentration of credit risk with respect to trade receivables as the customers of the Group are widely dispersed.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

7. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Opening balance 1 January 2006	500,000,000	5,000	5,300	135,195	140,495
Placement of shares for cash	60,000,000	600	618	90,228	90,846
Share placement costs	—	—	—	(2,468)	(2,468)
At 30 June 2006	560,000,000	5,600	5,918	222,955	228,873
At 1 January 2007 and 30 June 2007	597,210,000	5,972	6,299	275,895	282,194

8. TRADE AND OTHER PAYABLES

	As at	
	30 June 2007	31 December 2006
Trade payables		
— Third parties	95,535	109,869
— Related parties (note 13)	4,401	3,417
	99,936	113,286
Other payables to third parties	20,955	18,550
Staff welfare benefits payable	154	90
Advances from customers	2,439	2,139
	123,484	134,065

At 30 June 2007, the ageing analysis of the trade payables was as follows:

	As at	
	30 June 2007	31 December 2006
0-30 days	92,105	25,012
31-90 days	749	85,696
91-180 days	1,537	1,086
181-365 days	3,423	906
Over 365 days	2,122	586
	99,936	113,286

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

9. BORROWINGS

Current	As at	
	30 June 2007	31 December 2006
Bank borrowings		
— unsecured	83,333	57,809

Movements in borrowings are analysed as follows:

	For the six months ended 30 June	
	2007	2006
Opening amount	57,809	96,160
Addition of borrowings	105,387	50,000
Repayment of borrowings	(79,040)	(50,000)
Exchange gain	(823)	(85)
Closing amount	83,333	96,075

Interest expenses on borrowings for the six months ended 30 June 2007 amounted to RMB2,902,000 (six months ended 30 June 2006: RMB3,601,000).

10. INCOME TAX CREDIT/(EXPENSES)

	For the six months ended 30 June	
	2007	2006
Current income tax		
— Hong Kong profits tax	—	(348)
— PRC enterprise income tax	(1,391)	(2,688)
Deferred income tax	2,455	—
	1,064	(3,036)

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

10. INCOME TAX CREDIT/(EXPENSES) (CONTINUED)

Hong Kong profits tax

No Hong Kong profits tax has been provided for as there is no assessable profit derived in Hong Kong for the six months ended 30 June 2007.

PRC enterprise income tax

PRC enterprise income tax of the Group's entities established in the mainland China, mainly Jiangmen Kong Yue Jolimark Information Technology Limited ("Kongyue Jolimark") and Kong Yue Electronics & Information Industry (Xinhui) Limited ("Kongyue Information"), is provided for on the basis of the profit for statutory financial reporting purposes, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. As Kongyue Jolimark and Kongyue Information are established in the Coastal Open Economic Zones of the PRC, their applicable enterprise income tax rate is 27%, which comprised 24% attributable to national income tax and 3% attributable to local municipal income tax.

Moreover, since Kongyue Jolimark and Kongyue Information are currently recognised as "Advance Technology Enterprise", they are entitled to 50% reduction in national income tax and full exemption from local municipal income tax for the year ending 31 December 2007. Therefore, the effective enterprise income tax rate of Kongyue Jolimark and Kongyue Information is 12%.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"), which unified the corporate income tax rate for domestic and foreign enterprises at 25% with effective from 1 January 2008. Since the deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised and liability is settled, the change in the applicable tax rate affected the determination of the carrying values of deferred tax assets and liabilities of the subsidiaries located in mainland China. In this condensed consolidated interim financial information, deferred tax assets of Kongyue Jolimark and Kongyue Information to be realised after 1 January 2008 has been adjusted to the amounts calculated basing on enterprise income rate of 25% with a credit to income tax of RMB2,171,000. As at the date that this condensed consolidated interim financial information is approved for issue, detailed measures of the new CIT Law have yet to be issued, specific provisions concerning the applicable income tax rates, computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions for the periods from 2008 and onwards have not been clarified.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

11. EARNINGS PER SHARE

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 period.

	For the six months ended	
	30 June	
	2007	2006
Profit attributable to shareholders of the Company	2,250	10,823
Weighted average number of ordinary shares in issue (thousands)	597,210	505,635
Basic earnings per share (RMB per share)	0.004	0.021

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive shares in issue during the six months ended 30 June 2007 and 2006, respectively.

12. DIVIDEND

	For the six months ended	
	30 June	
	2007	2006
Interim dividend (note (b))	—	6,429

(a) A final dividend in respect of 2006 of HK\$0.02 per ordinary share, totaling approximately HK\$11,944,000 (equivalent to RMB11,820,000) has been declared in the Company's Annual General Meeting on 29 May 2007 and paid in the period.

(b) At the meeting held on 18 September 2007 the directors of the Company determined that no interim dividend would be declared for the six months ended 30 June 2007.

An interim dividend for the six months ended 30 June 2006 of HK\$0.0103 per ordinary share, totaling approximately HK\$6,173,000 (equivalent to RMB6,429,000) has been approved by the Company in the meeting of board of directors held on 18 September 2006.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

13. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The directors of the Company regard the Au Family, which composed of Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Ms. Ou Ri Ai, to be the beneficial owners of the Company.

Save as disclosed elsewhere in the condensed consolidated financial information, significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

i) Sales of goods

	For the six months ended 30 June	
	2007	2006
Sales of goods to related parties controlled by Au Family (note (a))	2,281	1,897

ii) Purchases of goods, machinery and services

	For the six months ended 30 June	
	2007	2006
Purchases of goods and machinery from related parties controlled by Au Family (note (a))	16,572	12,885
Rental expenses paid to a related party controlled by Au Family (note (b))	248	1,826
Rental expenses paid to a director of the Company (note (b))	825	825
Handling fee charged by a related party controlled by Au Family (note (c))	316	156
Incentives provided by a related party controlled by Au Family (note (d))	—	949

iii) Key management compensation

	For the six months ended 30 June	
	2007	2006
Salary and other short-term employee benefits	2,934	3,375

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Thousand Yuan unless otherwise stated)

13. SIGNIFICANT RELATED-PARTY TRANSACTIONS (CONTINUED)**iv) Period-end balances with related parties**

	As at	
	30 June	31 December
	2007	2006
Receivables from related parties controlled by Au Family (note (e))	21,005	19,380
Payables to related parties controlled by Au Family (note (e))	4,401	3,417

Notes:

- (a) Sales of goods and purchase of goods and machinery were negotiated with related parties in a normal course of business with a margin on the same basis as non-related parties.
- (b) Rental expenses were determined with reference to the prevailing rental market price and in accordance with the terms of underlying agreement. The rental contract of land and buildings in Kong Yue Industrial Park was terminated upon the Group acquiring relevant land and buildings in September 2006, which resulted in a significant decrease in the rental expenses in the six months ended 30 June 2007.
- (c) Handling fee represent service charge for handling customs documents for the Group during import process, which is calculated based on approximately 1% of the aggregate value of goods handled by the related party.
- (d) As an incentive to attract tenants, Kong Yue Industrial Park (Xinhui) Limited, a company controlled by Au Family, agreed to subsidise Kongyue Information and Kongyue Jolimark by incentive subsidies received from local government in Xinhui City. The subsidy is calculated based on a percentage of tax payable by Kongyue Information and Kongyue Jolimark, for compensating their initial setting up and removal costs of their establishment in Kong Yue Industrial Park. The incentive agreement was expired as at 31 December 2006.
- (e) Balances with related parties were unsecured, interest free and had no fixed terms of repayments.

Other Information

DISCLOSURE OF INTERESTS

Directors and Chief Executive's Interests in the Shares

As at 30 June 2007, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Names of Executive Directors	Company/ name of associated corporation	Capacity	No. of Shares held <i>(Note 1)</i>
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation <i>(Note 2)</i>	361,695,533 (L)
Mr. Au	Kytronics Holdings	Beneficial owner	2 Shares (L)
Mr. Au Kwok Lun	Kytronics Holdings	Beneficial owner	1 Share (L)
Mr. Ou Guo Liang	Kytronics Holdings	Beneficial owner	1 Share (L)

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

Note 2: 361,695,533 Shares were owned by Kytronics Holdings. The issued share capital of Kytronics Holdings is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics Holdings pursuant to Part XV of the SFO. Each of Mr. Au and his spouse, Ms. Tai Noi Kit, is the beneficial owner of an ordinary share in Kytronics Holdings.

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

Other Information

Substantial Shareholders and Other Person's Interests in the Shares

As at the 30 June 2007, as far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Shareholders	Company/name of associated corporation	Capacity	Number of Shares held	Percentage of issued capital (Note 1)
Kytronics Holdings	Company	Beneficial owner	361,695,533 Shares (Note 2)	60.56% (L)
Tai Noi Kit	Kytronics Holdings	Interest in controlled corporation (Note 2)	361,695,533 Shares (Note 2)	60.56% (L)
Kent C. McCarthy	Company	Interest in controlled corporation (Note 3)	89,386,000 Shares (Note 3)	14.97% (L)
Legg Mason Inc.	Company	Interest in controlled corporation (Note 4)	36,900,000 Shares (Note 4)	6.18% (L)

Note 1: The letter "L" denotes a long position in such securities.

Note 2: 361,695,533 Shares were owned by Kytronics Holdings. The issued share capital of Kytronics Holdings is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics Holdings pursuant to Part XV of the SFO.

Note 3: 89,386,000 Shares were held by Jayhawk China Fund (Cayman) Limited, a company wholly-owned by Mr. Kent C. McCarthy.

Note 4: 36,900,000 Shares were held by Legg Mason Asset Management (Asia) Pte. Ltd., an indirect wholly-owned subsidiary of Legg Mason Inc.

SHARE OPTION SCHEME

During the six months period under review ended 30 June 2007, no share options were granted under the Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2007, the Company did not redeem any of its Share, and neither the Company nor any of its subsidiaries purchased or sold any Shares of the Company.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that during the six months ended 30 June 2007, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 under the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 under the Listing Rules as the model code for securities transactions by the relevant Directors. The Company has made specific enquiry of all Directors and the Directors confirmed that, during the six months ended period 30 June 2007, they have complied with all the relevant requirements set out in the Model Code.

AUDIT COMMITTEE

The unaudited interim results for the six months ended 30 June 2007 have been reviewed by 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. The audit committee has reviewed this interim report and has recommended their adoption by the Board.

REMUNERATION COMMITTEE

The Company has established a remuneration committee to consider the remunerations for the Directors and senior management of the Company. The remuneration committee comprises Mr. Lai Ming, Joseph (chairman), Mr. Meng Yan and Mr. Xu Guangmao who are all Independent Non- Executive Directors and Mr. Au Kwok Lun who is the executive director.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S WEBSITE

A detailed interim results announcement of the Company will be submitted to the Stock Exchange for publication on the website.

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

Hong Kong, 18 September 2007