



Interim Report

08

Jolimark
映美

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
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1005, Olympia Plaza
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Hong Kong

COMPANY SECRETARY

Mr. Li Ho Cheong *CPA, ACCA*

QUALIFIED ACCOUNTANT

Mr. Li Ho Cheong *CPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Au Kwok Lun
Mr. Ng Shu Kai

AUDIT COMMITTEE

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

AUDITOR

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

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Sidley Austin
39th Floor
Two International Finance Centre
8 Finance Street
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712–16, 17th Floor
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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
Nanyang Commercial Bank
Hang Seng Bank

STOCK CODE

2028

WEBSITE

www.jolimark.com



Management's Discussion and Analysis

BUSINESS REVIEW

“Printer and Tax Control Equipment” Business

The sales of printer and tax control equipment of the Group in the first half year of 2008 decreased by approximately 49% from the corresponding period of last year to approximately RMB140,379,000, representing approximately 56% of the turnover of the Group. The substantial decrease of the gross margin of printer and tax control equipment was mainly due to increases in raw material price and manufacturing overhead, and decreases in selling price of the Company's products.

Projector Business

The turnover of the projector business increased by approximately 7% from the corresponding period of last year to approximately RMB93,168,000, representing approximately 37% of the turnover of the Group. This was mainly due to an increase in demand from customers. In view of the rapid growth of projector market in the Peoples' Republic of China (the “PRC”) and based on the projection of the number of customer orders, our management team estimated that the sales of projector business in 2008 will sustain a stable growth. At the same time, owing to the low gross profit margin of our projector distribution business, the gross profit margin of projector business in the first half year decreased by approximately 8% over the corresponding period of last year to approximately 7%.

Other Electronic Products Manufacturing Business

The turnover of other electronic products manufacturing business of the Group decreased approximately 35% from the corresponding period of last year to approximately RMB17,770,000, representing approximately 7% of the turnover of the Group. The decrease was mainly due to a decrease in customer orders. The Group's other electronic products manufacturing business mainly comprises optical-electro-mechanical integrated products with high entry barriers and the major customers our overseas small-middle enterprises. Therefore, the Group was able to maintain a stable gross margin level, which increased by approximately 6% from the corresponding period of last year to approximately 21%. Leveraging its strong customer base, better quality control, professional customer services, and the advantage of low manufacturing costs, our management team estimated that other electronic manufacturing service business will maintain a stable growth this year.

FINANCIAL REVIEW

Results Summary

The turnover of the Group for the six months ended 30 June 2008 was approximately RMB251,317,000, decreased by approximately 36% from the corresponding period of last year and gross margin decreased to approximately 7% from approximately 12% of the corresponding period last year.

During the period, the Group recorded a loss of approximately RMB33,339,000, the result decreased by approximately RMB36,166,000 from the corresponding period of last year. This was mainly attributed to:

- (1) the continuing intensified macro-control by the state during the year, coupled with the impact of snow storm, earthquake in Sizhuan and Olympic game led to a decrease in market demand and resulted in a substantial decrease in turnover;
- (2) the Group had adopted cash sales strategy to avoid credit risks leading to a decrease in sales volume;
- (3) increase in raw material prices and manufacturing together with the effect of drop in selling price due to the discount offer to customers for cash sales and clearance of outdated products at significantly discounted price, gross margin of the major business line decreased;

Management's Discussion and Analysis

- (4) in view of the Group's sufficient cash and the absence of any acquisition plan in the near future, in the best interest of the shareholders of the Company to apply the fund, the Board approved in April 2008 to invest approximately RMB30,000,000 in the stock market to improve its return. However, the continued lackluster in the global equity market since May 2008 has led to losses of approximately RMB7,308,000 in our equity investment during the six months ended 30 June 2008.

During the period, losses attributable to shareholders was approximately RMB33,316,000 with a basic loss per share of RMB0.057, a decrease of approximately RMB35,566,000 and RMB0.061 respectively from the corresponding period of last year.

OPERATING RESULTS ANALYSIS BY PRODUCT

	For the six months ended 30 June					
	2008			2007		
	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	140,379	7,054	5%	276,777	37,281	13%
Projectors	93,168	6,222	7%	86,909	7,033	8%
Other electronic products manufacturing	17,770	3,761	21%	27,389	4,132	15%
Total	251,317	17,037	7%	391,075	48,446	12%

CAPITAL EXPENDITURE

For the six months ended 30 June 2008, capital expenditure amounted to approximately RMB4,460,000, which was mainly related to the purchase of property, plant and equipment.

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2008, the total assets of the Group amounted to approximately RMB690,760,000 (31 December 2007: RMB741,414,000), shareholder's fund amounted to approximately RMB504,250,000 (31 December 2007: RMB552,595,000), minority interests amounted to approximately RMB14,238,000 (31 December 2007: RMB14,261,000) and current liabilities amounted to approximately RMB172,272,000 (31 December 2007: RMB174,558,000). The current ratio of the Group was 3.3 (31 December 2007: 3.5).

As at 30 June 2008, the cash and the cash equivalents of the Group amounted to approximately RMB129,598,000 (31 December 2007: RMB160,895,000) whereas the bank loans of the Group amounted to approximately RMB64,450,000 (31 December 2007: RMB56,509,000). The gearing ratio* was 9.3% (31 December 2007: 7.6%). The Group had no assets held under finance lease or operating lease during the period.

* Gearing ratio: Borrowings/Total Assets



Management's Discussion and Analysis

CONTINGENT LIABILITIES

As at 30 June 2008, the Group had no material contingent liabilities.

STAFF

As at 30 June 2008, the Group employed a total staff of 897, of which all staff were employed in Mainland China except for 11 who 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.

FUTURE BUSINESS OUTLOOK

For the printer and tax control equipment business, our management team estimates that the Golden Tax Project Phase III in certain provinces and cities will be initiated in the second half of the year, coupled with the steady demand of dot matrix printers from such sectors as financial, medical, education and communication, the Group expects that the dot matrix printer market in the PRC will maintain a stable growth in the coming years. Meanwhile, we foresee that dot matrix printers, thermal mini printers and bar-code printers will become more and more popular, therefore their markets are expected to expand at a rapid pace. The Group's strategy for growth is to strengthen the development of the products under the Jolimark brand name. Although the competition in the dot matrix printer market is intensive, we expect the sales of Jolimark's products to increase in the second half of the year as the Group leverage its cost advantages through the implementation of its pricing strategy. Following the adverse market conditions in the first half year passed over, the Group expects a growth in Jolimark brand business in the second half of the year. In addition, the Group will launch a series brand new products, which is expected to improve the gross profit margin of the Group. In the first half of this year, the Group has carried out successful promotion activities of the new business of mini printers under the Jolimark brand name. 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. Our management team estimates that the tenders for tax control electronic cash registers of Golden Tax Project Phase III will commence in the second half of 2008. In light of the competition edges of the Group in this sector, tax control equipment will be the business growth point of the Group in the next few years.

For the projector business, after clearing outdated projector distribution products in first half 2008, the Group expects the gross profit margin of the projector business for the second half of the year to be improved. As the projector market has expanded rapidly, the Group expects the size of the projector business in PRC to have an increase. By leveraging its distribution channels for the printers and its reputable brand name, the sales of Jolimark's projectors brand will increase gradually 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 high entry barriers as 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, European and US markets in the future in order 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 Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2008 Unaudited	31 December 2007 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	98,223	99,851
Land use right	5	11,045	11,189
Intangible assets	5	1,589	1,681
Interests in associates		5,127	5,199
Available-for-sale financial assets		1,000	1,000
Deferred income tax assets		8,542	6,409
		125,526	125,329
Current assets			
Inventories		201,828	191,195
Trade and other receivables	6	201,766	263,995
Financial assets at fair value through profit or loss	7	22,042	—
Restricted cash	8	10,000	—
Cash and cash equivalents		129,598	160,895
		565,234	616,085
Total assets		690,760	741,414
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	9	271,226	282,194
Other reserves		188,968	185,252
Retained earnings			
— Proposed dividend		—	4,311
— Unappropriated retained earnings		44,056	80,838
		504,250	552,595
Minority interests		14,238	14,261
Total equity		518,488	566,856
LIABILITIES			
Current liabilities			
Trade and other payables	10	99,810	109,797
Current income tax liabilities		8,012	8,252
Borrowings	11	64,450	56,509
		172,272	174,558
Total equity and liabilities		690,760	741,414
Net current assets		392,962	441,527
Total assets less current liabilities		518,488	566,856

The notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2008 Unaudited	2007 Unaudited
Turnover		251,317	391,075
Cost of goods sold		(234,280)	(342,629)
Gross profit		17,037	48,446
Other income		2,164	906
Selling and marketing costs		(16,118)	(16,008)
Administrative expenses		(29,347)	(29,435)
Other losses	12	(7,942)	(139)
Operating (loss)/profit	13	(34,206)	3,770
Finance costs — net		361	(2,080)
Share of (losses)/gains of associates		(72)	73
(Loss)/profit before income tax		(33,917)	1,763
Income tax credit	14	578	1,064
(Loss)/profit for the period		(33,339)	2,827
Attributable to:			
Shareholders of the Company		(33,316)	2,250
Minority interests		(23)	577
		(33,339)	2,827
Basic and diluted (loss)/earning per share for (loss)/profit attributable to the shareholders of the Company during the period (expressed in RMB per share)	15	(0.057)	0.004

The notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium	Other reserves	Retained earnings	Minority interests	Total
	Unaudited <i>(note 9)</i>	Unaudited	Unaudited	Unaudited	Unaudited
Balance as 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 <i>(note 16)</i>	—	—	(11,820)	—	(11,820)
Balance as at 30 June 2007	282,194	185,252	82,709	12,081	562,236
Balance as at 1 January 2008	282,194	185,252	85,149	14,261	566,856
Loss for the period	—	—	(33,316)	(23)	(33,339)
Transfer to the statutory reserve and enterprise expansion fund	—	3,716	(3,716)	—	—
Re-purchase and cancellation of shares of the Company	(10,968)	—	—	—	(10,968)
Final dividends for 2007 <i>(note 16)</i>	—	—	(4,061)	—	(4,061)
Balance as at 30 June 2008	271,226	188,968	44,056	14,238	518,488

The notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2008 Unaudited	2007 Unaudited
Cash used in operating activities — net	(22,455)	(43,166)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,697)	(7,648)
Purchase of intangible assets	—	(540)
Interest received	637	286
Cash used in investing activities — net	(3,060)	(7,902)
Cash flows from financing activities		
Re-purchase and cancellation of the shares of the Company	(10,968)	—
Proceeds from borrowings	55,612	105,387
Repayments of borrowings	(45,498)	(79,040)
Dividends paid to the shareholders of the Company	(4,061)	(11,820)
Cash (used in)/generated from financing activities — net	(4,915)	14,527
Net decrease in cash and cash equivalents	(30,430)	(36,541)
Cash and cash equivalents at beginning of the period	160,895	100,834
Exchange loss on cash and cash equivalents	(867)	(365)
Cash and cash equivalents at end of the period	129,598	63,928

The notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Jolimark Holdings Limited (the “Company”) and its subsidiaries (the “Group”) are principally engaged in the manufacture and sale of business equipment, tax control equipment, projectors and other electronic products in the People’s Republic of China (the “PRC”).

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 office 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 (the “Stock Exchange”) on 29 June 2005.

This condensed consolidated interim financial information was approved for issue by the board of directors of the Company on 22 September 2008.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2008 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 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Group are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. They are subsequently carried at fair value and are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. The fair values of quoted investments are based on their current bid prices in an active market. If the market for a financial asset is not active, the Group established fair value by using valuation techniques.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets at fair value through profit or loss (continued)

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within "other gains/losses — net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Cash flow in connection with acquisition and disposal of and dividend from financial assets at fair value through profit or loss is presented within "operating activities" in the cash flow statement.

(b) The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not relevant to the Group

- HK(IFRIC)-Int 11, "HKFRS 2 — Group and treasury share transactions";
- HK(IFRIC)-Int 12, "Service concession arrangements";
- HK(IFRIC)-Int 14, "HKAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction".

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 printer, 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 out of the PRC.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. CAPITAL EXPENDITURE

	Property, plant and equipment	Land use right	Intangible assets
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	(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
Six months ended 30 June 2008			
Opening net book amount as at 1 January 2008	99,851	11,189	1,681
Additions	4,460	—	—
Disposals	(1)	—	—
Depreciation and amortisation charge	(6,087)	(144)	(92)
Closing net book amount as at 30 June 2008	98,223	11,045	1,589

Certain equipments of the Group with carrying values of approximately RMB17,338,000 (31 December 2007: RMB19,443,000) had been pledged for bank borrowings (note 11).

6. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2008	31 December 2007
Trade receivables		
— Third parties	149,521	197,107
— Related parties (<i>note 17</i>)	6,392	8,121
	155,913	205,228
Less: provision for impairment of receivables	(5,165)	(4,567)
Trade receivables — net	150,748	200,661
Prepayments		
— Third parties	25,237	30,897
— Related parties (<i>note 17</i>)	5,697	7,124
Other receivables		
— Third parties	9,689	14,552
— Associates	1,570	1,801
— Related parties (<i>note 17</i>)	8,825	8,960
	201,766	263,995

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. TRADE AND OTHER RECEIVABLES (continued)

As at 30 June 2008, 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 directors of the Company. At 30 June 2008, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	As at	
	30 June 2008	31 December 2007
0–30 days	56,224	109,742
31–90 days	23,812	27,805
91–180 days	12,359	28,824
181–365 days	44,845	33,198
Over 365 days	18,673	5,659
	155,913	205,228

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2008	31 December 2007
Listed securities		
— Equity securities — Hong Kong	3,748	—
— Equity securities — the PRC	18,294	—
Market value of listed securities	22,042	—

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. RESTRICTED CASH

	As at	
	30 June 2008	31 December 2007
Bank deposits as securities for bank borrowings	10,000	—

As at 30 June 2008, the bank deposits of the Group of approximately RMB10,000,000 (31 December 2007: nil) were pledged as securities for the Group's borrowings (note 11). Such guarantee will be released after the repayment of the relevant borrowings.

9. 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
At 1 January 2007 and 30 June 2007	597,210,000	5,972	6,299	275,895	282,194
Opening balance 1 January 2008	597,210,000	5,972	6,299	275,895	282,194
Repurchase and cancellation of the shares of the Company (note (a))	(20,000,000)	(200)	(184)	(10,784)	(10,968)
At 30 June 2008	577,210,000	5,772	6,115	265,111	271,226

- (a) The Company repurchased 20,000,000 of its own shares through purchases on the Stock Exchange during the six months ended 30 June 2008. The shares have been cancelled upon being repurchased. The total consideration inclusive of handling fee paid to acquire the shares amounted to approximately HK\$11,942,000 (equivalent to RMB10,968,000).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. TRADE AND OTHER PAYABLES

	As at	
	30 June 2008	31 December 2007
Trade payables		
— Third parties	74,777	78,444
— Related parties (<i>note 17</i>)	2,473	3,366
	77,250	81,810
Other payables to third parties	15,221	20,406
Advances from customers	7,339	7,581
	99,810	109,797

At 30 June 2008, the ageing analysis of the trade payables was as follows:

	As at	
	30 June 2008	31 December 2007
0–30 days	35,898	34,158
31–90 days	36,086	38,973
91–180 days	1,536	1,725
181–365 days	987	1,391
Over 365 days	2,743	5,563
	77,250	81,810

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. BORROWINGS

	As at	
	30 June 2008	31 December 2007
Bank borrowings		
— secured	24,867	10,957
— unsecured	39,583	45,552
	64,450	56,509

Bank borrowings of RMB24,867,000 (31 December 2007: RMB10,957,000) were secured by pledge of the equipments of the Group amounting to RMB17,338,000 (31 December 2007: RMB19,443,000) and restricted cash of the Group amounting to RMB10,000,000 (31 December 2007: nil).

Movements in borrowings are analysed as follows:

	For the six months ended	
	30 June 2008	30 June 2007
Opening amount	56,509	57,809
Addition of borrowings	55,612	105,387
Repayment of borrowings	(45,498)	(79,040)
Exchange gain	(2,173)	(823)
Closing amount	64,450	83,333

Interest expenses on borrowings for the six months ended 30 June 2008 amounted to RMB1,812,000 (six months ended 30 June 2007: RMB2,902,000).

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2008	31 December 2007
Floating rate		
— expiring within one year	53,263	30,000

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. OTHER LOSSES

	For the six months ended	
	30 June 2008	30 June 2007
Net foreign exchange losses	634	139
Fair value losses on financial assets at fair value through profit or loss	7,308	—
	7,942	139

13. OPERATING (LOSS)/PROFIT

The following items have been charged to the operating loss during the period:

	For the six months ended	
	30 June 2008	30 June 2007
Write-down of inventories	1,795	—
Provision for bad debts	598	—

14. INCOME TAX CREDIT

	For the six months ended	
	30 June 2008	30 June 2007
Current income tax		
— Hong Kong profits tax	(211)	—
— PRC enterprise income tax	(1,344)	(1,391)
Deferred income tax	2,133	2,455
	578	1,064

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. INCOME TAX CREDIT (continued)

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 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. The effective enterprise income tax rate of Kongyue Jolimark and Kongyue Information are 12% and 25%, respectively, for the six months ended 30 June 2008 (six months ended 30 June 2007: 12% and 12%, respectively).

15. (LOSS)/EARNING PER SHARE

Basic (loss)/earning per share is calculated by dividing the (loss)/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 2008	30 June 2007
(Loss)/profit attributable to shareholders of the Company	(33,316)	2,250
Weighted average number of ordinary shares in issue (thousands)	588,883	597,210
Basic (loss)/earning per share (RMB per share)	(0.057)	0.004

Diluted (loss)/earning per share is equal to basic (loss)/earning per share as there were no potential dilutive shares in issue during the six months ended 30 June 2008 and 2007, respectively.

16. DIVIDEND

- (a) A final dividend in respect of 2007 of HK\$0.008 per ordinary share, totaling approximately HK\$4,778,000 (equivalent to RMB4,061,000) has been declared in the Company's Annual General Meeting on 23 May 2008 and paid during the six months ended 30 June 2008.

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 during the six months ended 30 June 2007.

- (b) At a meeting held on 22 September 2008, the directors of the Company determined that no interim dividend would be declared for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. SIGNIFICANT RELATED-PARTY TRANSACTIONS

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

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

(i) Purchases of goods, machinery and services

	For the six months ended	
	30 June 2008	30 June 2007
Purchases of goods from related parties controlled by Au Family (<i>note (a)</i>)	11,247	14,048
Rental expenses paid to a related party controlled by Au Family (<i>note (b)</i>)	202	248
Rental expenses paid to a director of the Company (<i>note (b)</i>)	—	825
Handling fee charged by a related party controlled by Au Family (<i>note (c)</i>)	552	316

(ii) Key management compensation

	For the six months ended	
	30 June 2008	30 June 2007
Salary and other short-term employee benefits	2,641	2,934

(iii) Period-end balances with related parties

	As at	
	30 June 2008	31 December 2007
Receivables from related parties controlled by Au Family (<i>note (d)</i>)	20,914	24,205
Payables to related parties controlled by Au Family (<i>note (d)</i>)	2,473	3,366

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

Notes:

- (a) Purchase of goods 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. Rental expenses paid to a director of the Company were related to lease of an office building. This rental agreement was terminated in November 2007, which resulted in a significant decrease in the rental expenses in the six months ended 30 June 2008.
- (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) Balances with related parties were unsecured, interest free and had no fixed terms of repayments.

Other Information



DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executives of the Company

As at 30 June 2008, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") which are required to be notified 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 taken 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:

Name of Director	Company/name of associated corporation	Capacity	Number of shares held (Note 1)
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation (Note 2)	364,311,533 shares (L)
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner	2 ordinary shares (L)
Mr. Au Kwok Lun	Kytronics	Beneficial owner	1 ordinary share (L)
Mr. Ou Guo Liang	Kytronics	Beneficial owner	1 ordinary share (L)

Notes:

1. The letter "L" denotes the Director's long position in such securities.
2. 364,311,533 Shares were owned by Kytronics. The issued share capital of Kytronics 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 pursuant to Part XV of the SFO.
3. Each of Mr. Au and his spouse, Ms Tai Noi Kit is the beneficial owner of an ordinary share in Kytronics.

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executives 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 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

(b) Substantial shareholders and other person's interest in the Shares

As at 30 June 2008, as far as is known to the Directors and the chief executive of the Company, the following person (not being a Director or chief executive of the Company) had an interest of short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Company/Name of associated corporation	Capacity	Number of shares held	Percentage of total issued share capital (Note 1)
Kytronics	Company	Beneficial Owner	364,311,533 (Note 2)	63.12%(L)
Tai Noi Kit	Kytronics Holdings Limited ("Kytronics")	Interest in controlled corporation	364,311,533 (Note 2)	63.12%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	61,742,000 (Note 3)	10.70%(L)
Martin Currie (Holdings) Limited	Company	Interest in controlled corporation	40,264,000 (Note 4)	6.98%(L)
Credit Suisse Group	Company	Interest in controlled corporation	35,598,000 (Note 5)	6.17%(L)

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. 364,311,533 Shares were owned by Kytronics. The issued share capital of Kytronics Holdings is owned as to 20% by each of Mr. Au Pak Yin 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 pursuant to Part XV of the SFO.
3. The 61,742,000 shares were held by Buffalo Jayhawk China Fund and Jayhawk Institutional Partners L.P., all being companies wholly-owned by Mr. Kent C. McCarthy.
4. The 40,264,000 shares were held by Martin Currie Inc. and Martin Currie Investment Management, both being companies wholly owned by Martin Currie (Holdings) Limited.
5. The 35,598,000 shares were held through wholly owned subsidiaries of Credit Suisse Group. By virtue of the SFO, Credit Suisse Group was deemed to have interest in the shares held by its wholly owned subsidiaries.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 30 June 2008, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



Other Information

SHARE OPTION SCHEME

During the six months period under review ended 30 June 2008, 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 2008, the Company purchased a total of 20,000,000 Company's listed shares on the Stock Exchange and such shares were then subsequently cancelled. Details of the repurchase of shares are summarised as follows:

Month/year	Number of shares repurchased	Repurchase price per share		Aggregate consideration paid (excluding expenses)
		Highest	Lowest	HK\$
		HK\$	HK\$	
January 2008	4,632,000	0.60	0.55	2,693,600
February 2008	8,292,000	0.64	0.55	4,942,140
March 2008	7,076,000	0.60	0.57	4,240,220
Total	20,000,000			11,875,960

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that during the six months ended 30 June 2008, 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.

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 30 June 2008, they have complied with all the relevant requirements set out in the Model Code.

AUDIT COMMITTEE

The audit committee has reviewed this interim report and has recommended their adoption by the Board.



Other Information

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 an Executive Director.

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

Hong Kong, 22 September 2008