



Jolimark

Interim Report

2012

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

Non-Executive Director

Mr. Yeung Kwok Keung

Independent Non-Executive Directors

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

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

COMPANY SECRETARY

Li Ho Cheong *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Au Kwok Lun
Li Ho Cheong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Lai Ming, Joseph (*chairman of remuneration committee*)
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Au Kwok Lun

AUDITOR

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

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

2028

WEBSITE

www.jolimark.com

Management's Discussion and Analysis

BUSINESS REVIEW

Printer and Tax Control Equipment Business

In the first half of 2012, the sales of the printer and tax control equipment business of the Group decreased by approximately 26% from the corresponding period of the previous year to approximately RMB171,382,000, representing approximately 74% of the total turnover of the Group. The decrease in sales was mainly attributable to the continuous decline in the economy of China in the first half of 2012. At the same time, the Chinese government has also slowed down the speed of the implementation of tax control measures, which led to the weakening demand of the Group's tax control printer products in the Chinese market.

Other Electronic Products Manufacturing Business

The turnover of the other electronic products manufacturing business of the Group increased by approximately 34% from the corresponding period of the previous year to approximately RMB58,731,000, representing approximately 26% of the total turnover of the Group. The increase in turnover was mainly attributable to the increase in orders from OEM customers of the Group.

FINANCIAL REVIEW

Result Summary

During the six months ended 30 June 2012, the Group recorded a turnover of approximately RMB230,113,000, decreased by approximately 17% from the corresponding period of the previous year. The gross profit margin was 26.4%, which was the same as the corresponding period of the previous year.

During the period, profit attributable to shareholders decreased by approximately 37% from the corresponding period of the previous year to approximately RMB20,591,000, while basic earnings per share was RMB0.037, representing a decrease of RMB0.022 from the corresponding period of the previous year. The drop in business results was mainly attributable to the continuous decline of the growth of the economy in China in the first half of 2012. At the same time, the Chinese government has also slowed down the speed of the implementation of tax control measures, which led to the weakening demand of the Group's printer products in the Chinese market and resulted in a decrease in the sales of printers and tax control equipment by approximately 26% from the corresponding period of the previous year, among which the sales of own "Jolimark" brand decreased by approximately 20% from the corresponding period of the previous year.

CAPITAL EXPENDITURE

For the six months ended 30 June 2012, capital expenditure of the Group amounted to approximately RMB4,458,000, which was mainly used for the purchase of property, plant and equipment.

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2012, the total assets of the Group amounted to approximately RMB541,226,000 (31 December 2011: RMB524,990,000), shareholder's fund amounted to approximately RMB415,625,000 (31 December 2011: RMB422,946,000), non-controlling interests amounted to approximately RMB23,000 (31 December 2011: RMB24,000) and current liabilities amounted to approximately RMB93,485,000 (31 December 2011: RMB98,234,000). The current ratio of the Group was approximately 4.7 (31 December 2011: 4.4).

As at 30 June 2012, the cash and bank and deposits in a financial institution of the Group (including restricted cash) amounted to approximately RMB223,847,000 (31 December 2011: RMB170,702,000) whereas bank loan of the Group amounted to approximately RMB32,039,000 (31 December 2011: Nil). The Group was in a net cash position after setting off the loan amounts.

As at 30 June 2012, the Group possessed financial assets at fair value through profit and loss (China A shares) of approximately RMB12,645,000 (31 December 2011: RMB11,883,000) and bills receivable (bank acceptance bills) of approximately RMB12,077,000 (31 December 2011: RMB16,617,000).

ACQUISITION

During the period, Jolimark Technology Limited ("Jolimark Technology"), a subsidiary of the Company acquired 7.5% of the equity interests in Taiwan International United Technology Co., Ltd. ("International United") at a consideration of 15,419,486 New Taiwan dollars. International United mainly engaged in the research, development and manufacturing business of inkjet print heads.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2012.

STAFF

As at 30 June 2012, the Group employed a total staff of 1,123, most of which were based in the PRC except that there were 13 people employed in Hong Kong and overseas. The Group implemented its remuneration policy and bonus and share option scheme based on the business results and individual performance of the staff. In addition, fringe benefits such as insurance, medical allowance and pension were provided to ensure the competitiveness of the Group.

PROPOSED INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The board of directors ("the Board") recommended an interim dividend for 2012 of HK\$0.045 per share to shareholders whose names appear on the register of members on 28 September 2012.

PROPOSED INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS (CONTINUED)

The register of members of the Company will be closed from 26 September 2012 to 28 September 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 25 September 2012.

FUTURE BUSINESS OUTLOOK

In the first half of 2012, China's domestic economy growth continued to show a downward trend, which, together with the European debt crisis and unstable global economy, led to a pessimistic expectation of the future economic growth. The State has also slowed down the speed of implementation of tax control measures resulting in a weakened demand of the Group's printer products in the Chinese market, which in turn leads to a decline in the Groups' tax control printer products in the Chinese market.

The Central Committee and the State Council have made timely pre-adjustments and micro-adjustments, as well as launched loose monetary and fiscal policies in due regard to the economic environment. Such measures have already had a positive effect in stabilizing economic growth. Currently, the economy has shown initial signs of stabilization. However, the foundation of recovery is still fragile and further fluctuations cannot be ruled out. The Group has expected the printer market to gradually rebound in the second half of 2012 but the recovery pace may be slow. As a result, the Group will still encounter numerous challenges.

Recently, the State Administration of Taxation drafted the "Administrative Measures of Online Invoices" (Exposure Draft) (《網絡發票管理辦法》(徵求意見稿)), and proposed to promulgate and implement them through tax regulations. Such measures (Exposure Draft) have been released to the public on 13 July 2012 for advice. On 25 July 2012, the State Council announced that the VAT pilot program (substitution of BT by VAT) would be rolled out to 10 cities/provinces, including Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei, Guangdong, Xiamen and Shenzhen ("pilot locations"), progressively between 1 August 2012 and 31 December 2012. The Cai Shui Circular [2012] No. 71 has further clarified the specific implementation dates of each pilot location. This is the first multi-region launch and promotion since Shanghai carried out its VAT pilot reform on 1 January of this year, and the pace of VAT reform in China is speeding up. The introduction of the abovementioned policies and measures may act as a positive impetus in promoting demand recovery for printers and tax control equipment.

Looking forward to the second half of the year, the Group will continue to strive to improve operating efficiency, strengthen internal management, and trim inventory level and other wastes. At the same time, we will pay closer attention to the introduction of the State's tax control and tax reform policies, and cater for the latest market development. We will continue our efforts in improving product quality, and in the research and development of printers and tax control equipment that are more cost competitive and more in line with the demand in the Chinese market. The real-object projector will be launched in the second half of 2012. It is expected to generate new business opportunities to the Group. In respect of other electronic products manufacturing business (EMS), the Group will continue to focus on optical, mechanical and electrical integration products from small and medium overseas customers in order to expand and develop new businesses with higher gross profit margin.

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

		As at	
	Note	30 June 2012 Unaudited	31 December 2011 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	84,305	84,127
Land use right	7	9,889	10,033
Intangible assets	7	598	662
Investment in an associate		92	97
Available-for-sale financial assets	8	3,756	500
Total non-current assets		98,640	95,419
Current assets			
Inventories		156,665	180,014
Trade and other receivables	9	37,352	50,355
Bills receivable	10	12,077	16,617
Financial assets at fair value through profit or loss	11	12,645	11,883
Deposits in a financial institution	12	30,000	—
Restricted cash		633	586
Cash and cash equivalents		193,214	170,116
Total current assets		442,586	429,571
Total assets		541,226	524,990
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		176,649	176,649
Other reserves		197,277	197,066
Retained earnings			
— Proposed dividend		20,616	28,123
— Unappropriated retained earnings		21,083	21,108
		415,625	422,946
Non-controlling interests		23	24
Total equity		415,648	422,970
LIABILITIES			
Non-current liabilities			
Borrowings	13	28,303	—
Deferred income tax liabilities		3,790	3,786
		32,093	3,786
Current liabilities			
Trade and other payables	14	87,196	96,948
Current income tax liabilities		2,553	1,286
Borrowings	13	3,736	—
		93,485	98,234
Total liabilities		125,578	102,020
Total equity and liabilities		541,226	524,990
Net current assets		349,101	331,337
Total assets less current liabilities		447,741	426,756

The notes on pages 11 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2012 Unaudited	2011 Unaudited
Revenue	6	230,113	275,821
Cost of goods sold		(169,351)	(203,136)
Gross profit		60,762	72,685
Other income		3,945	3,919
Selling and marketing costs		(15,989)	(13,524)
Administrative expenses		(23,953)	(25,601)
Other gains — net		978	253
Operating profit		25,743	37,732
Finance (costs)/income — net		(175)	1,036
Share of losses of an associate		(5)	(2)
Profit before income tax		25,563	38,766
Income tax expenses	15	(4,973)	(5,361)
Profit for the period		20,590	33,405
Profit attributable to:			
— Shareholders of the Company		20,591	32,895
— Non-controlling interests		(1)	510
		20,590	33,405
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)			
— Basic	16	0.037	0.059
— Diluted	16	0.037	0.059

The notes on pages 11 to 24 form an integral part of this condensed consolidated interim financial information.

	Note	Six months ended 30 June	
		2012 Unaudited	2011 Unaudited
Dividends	17	20,616	28,024

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2012 Unaudited	2011 Unaudited
Profit for the period	20,590	33,405
Other comprehensive income for the period	—	—
Total comprehensive income for the period	20,590	33,405
Total comprehensive income for the period attributable to:		
— Shareholders of the Company	20,591	32,895
— Non-controlling interests	(1)	510
	20,590	33,405

The notes on pages 11 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company			Non-controlling interests	Total equity
	Share capital and premium	Other reserves	Retained earnings		
Balance at 1 January 2011 (Audited)	224,428	193,879	25,855	15,982	460,144
Comprehensive income					
Profit for the six months ended 30 June 2011	—	—	32,895	510	33,405
Total contributions by and distributions to the shareholders of the Company recognised directly in equity:					
Share options granted to employees	—	4	—	—	4
Exercise of share options	395	(128)	—	—	267
Dividends	(48,174)	—	—	—	(48,174)
Acquisition of additional interests in a subsidiary	—	(520)	—	(16,480)	(17,000)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	(47,779)	(644)	—	(16,480)	(64,903)
Balance at 30 June 2011 (Unaudited)	176,649	193,235	58,750	12	428,646
Balance at 1 January 2012 (Audited)	176,649	197,066	49,231	24	422,970
Comprehensive income					
Profit for the six months ended 30 June 2012	—	—	20,591	(1)	20,590
Total contributions by and distributions to the shareholders of the Company recognised directly in equity:					
Share options granted to employees	—	211	—	—	211
Dividends (note 17(b))	—	—	(28,123)	—	(28,123)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	—	211	(28,123)	—	(27,912)
Balance at 30 June 2012 (Unaudited)	176,649	197,277	41,699	23	415,648

The notes on pages 11 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2012 Unaudited	2011 Unaudited
Cash generated from operating activities — net	54,397	22,185
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,458)	(1,990)
Purchases of available-for-sale financial assets	(3,256)	—
Deposits in a financial institution	(30,000)	—
Interests received	2,555	2,439
Cash (used in)/generated from investing activities — net	(35,159)	449
Cash flows from financing activities		
Acquisition of additional interest in a subsidiary	—	(17,000)
Exercise of share options	—	267
Bank deposits pledged for borrowings	—	36,000
Proceeds from borrowings	31,937	—
Repayments of borrowings	—	(33,157)
Dividends paid to the shareholders of the Company	(28,123)	(48,174)
Dividends paid to non-controlling interests	—	(1,659)
Cash generated from/(used in) financing activities — net	3,814	(63,723)
Net increase/(decrease) in cash and cash equivalents	23,052	(41,089)
Cash and cash equivalents at beginning of the period	170,116	257,483
Exchange gain/(losses) on cash and cash equivalents	46	(322)
Cash and cash equivalents at end of the period	193,214	216,072

The notes on pages 11 to 24 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi thousands unless otherwise stated)

1. GENERAL INFORMATION

- (a) Jolimark Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Law (2003 Revision) of the Cayman Islands. The address of its registered offices is Clifton House, 75 Fort Street, PO Box 1350 GT, George Town, Grand Cayman, 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, tax control equipment and other electronic products manufacturing in the People’s Republic of China (the “PRC”).
- (c) The Company had its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 29 June 2005.
- (d) The condensed consolidated interim financial information was approved for issue by the Board of the Company on 28 August 2012.
- (e) This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Amendments to existing standards adopted by the Group

- HKAS 12 (Amendment), “Deferred tax: Recovery of underlying assets” is effective for annual periods beginning on or after January 2012. This amendment currently has no impact on the Group’s financial statements as the Group has no investment property.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. ACCOUNTING POLICIES (CONTINUED)

Amendments to existing standards adopted by the Group (Continued)

- HKFRS 7 (Amendment), “Disclosures — Transfers of financial assets” is effective for annual periods beginning on or after 1 July 2011. This amendment has no impact on the Group’s financial statements.
- HKFRS 1 (Amendment), “Severe hyperinflation and removal of fixed dates for first-time adopters” is effective for annual periods beginning on or after 1 July 2011. These amendments are not currently relevant to the Group as it is existing HKFRS preparer.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preparation of the consolidated financial statements for the year ended 31 December 2011.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011.

There have been no changes in any risk management policies during the six months ended 30 June 2012.

5.2 Fair value estimation

The table below analyses financial instruments carries at fair value, by valuation methods. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

The financial assets at fair value through profit or loss of the Group are measured at fair value in level 1 as at 30 June 2012. The financial assets at fair value through profit or loss of the Group are traded in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets at fair value through profit or loss held by the Group is the current bid price.

As at 30 June 2012, the carrying amounts less impairment provision of trade and other receivable and the carrying amounts of trade and other payables approximate their fair values due to their short term nature.

During the six months ended 30 June 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

6. SEGMENT INFORMATION

The executive 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 tax control equipment and other electronic products manufacturing.

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, other gains/(losses), finance (costs)/income and income tax expenses, which are centrally managed for the Group. Other information provided to the CODM is measured in a manner consistent with that in this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

The segment revenue and results and the reconciliation with profit for the six months ended 30 June 2012 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	171,382	58,731	230,113
Segment results	34,474	10,294	44,768
Other income			3,945
Administrative expenses			(23,953)
Other gains			978
Finance costs — net			(175)
Income tax expenses			(4,973)
Profit for the period			20,590
Segment results include:			
Share of losses of an associate	(5)	—	(5)
Depreciation and amortisation	(2,935)	(277)	(3,212)

The segment revenue and results and the reconciliation with profit for the six months ended 30 June 2011 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	231,868	43,953	275,821
Segment results	52,147	7,012	59,159
Other income			3,919
Administrative expenses			(25,601)
Other gains			253
Finance income — net			1,036
Income tax expenses			(5,361)
Profit for the period			33,405
Segment results include:			
Share of losses of an associates	(2)	—	(2)
Depreciation and amortisation	(3,035)	(1,455)	(4,490)

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

- (a) Revenues from external customers are for sales of goods. There are no inter-segment sales for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).
- (b) The Group is domiciled in the PRC. The revenue from external customers are as follows:

	Six months ended 30 June	
	2012	2011
In the PRC	157,598	222,718
In other countries	72,515	53,103
	230,113	275,821

- (c) For the six months ended 30 June 2012, approximately 24% of total revenue (six months ended 30 June 2011: approximately 14%) are derived from a single external customer, which is in the segment of other electronic products manufacturing.

7. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT AND INTANGIBLE ASSETS

	Property, plant and equipment	Land use right	Intangible assets
Six months ended 30 June 2011			
Opening net book amount as at 1 January 2011	88,843	10,322	807
Additions	1,990	—	—
Depreciation and amortisation	(5,701)	(144)	(64)
Closing net book amount as at 30 June 2011	85,132	10,178	743
Six months ended 30 June 2012			
Opening net book amount as at 1 January 2012	84,127	10,033	662
Addition	4,458	—	—
Depreciation and amortisation	(4,280)	(144)	(64)
Closing net book amount as at 30 June 2012	84,305	9,889	598

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

During the period, the Group acquired 7.5% of the equity interests in a private company in Taiwan at a consideration of TWD15,419,000 (equivalent to RMB3,256,000). The principal activities of the company are research, development and manufacturing of inkjet print heads in Taiwan.

9. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2012	31 December 2011
Trade receivables (note (a))		
— Third parties	26,633	33,946
— Related parties (note 19)	2,453	4,710
	29,086	38,656
Less: provision for impairment of receivables	(4,471)	(4,471)
Trade receivables — net	24,615	34,185
Prepayments to third parties	4,605	7,689
Other receivables		
— Third parties	8,021	7,994
— Related parties (note 19)	481	487
	8,502	8,481
Less: provision for impairment of receivables (note (b))	(370)	—
Other receivables — net	8,132	8,481
	37,352	50,355

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) The Group's sales to corporate customers are generally granted with credit terms ranging from 30 to 180 days or extended as considered appropriate by the directors of the Company. At 30 June 2012, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, was as follows:

	As at	
	30 June 2012	31 December 2011
Less than 30 days	17,705	26,962
31–90 days	3,184	4,199
91–180 days	996	2,660
181–365 days	2,408	61
Over 365 days	4,793	4,774
	29,086	38,656

Management performs periodic assessments on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

As at 30 June 2012, trade receivables of RMB7,201,000 (31 December 2011: RMB4,835,000) were past due, out of which RMB4,471,000 (31 December 2011: RMB4,471,000) were impaired.

- (b) Provision for impairment of other receivables of RMB370,000 (six months ended 30 June 2011: nil) is included in the "administrative expenses" of the income statement.

10. BILLS RECEIVABLE

As at 30 June 2012 and 31 December 2011, bills receivables represent bank acceptance bills with maturity periods not more than 3 months.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2012	31 December 2011
Listed equity securities in the PRC — stated at market value	12,645	11,883

Gains on financial assets at fair value through profit or loss of RMB840,000 (six months ended 30 June 2011: RMB422,000) is included in the "other gains — net" of the income statement.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. DEPOSITS IN A FINANCIAL INSTITUTION

As at 30 June 2012, the amount represented deposits in a commercial bank in the PRC with a fixed return and maturity of not more than one year.

13. BORROWINGS

	As at	
	30 June 2012	31 December 2011
Non-current	28,303	—
Current	3,736	—
	32,039	—

The carrying amounts of the borrowings are denominated in HK\$ as at 30 June 2012.

Interest expense of the borrowings for the six months ended 30 June 2012 amounted to RMB73,000 (six months ended 30 June 2011: RMB361,000).

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2012	31 December 2011
Floating rate:		
— expiring within one year	28,872	—

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

14. TRADE AND OTHER PAYABLES

	As at	
	30 June 2012	31 December 2011
Trade payables		
— Third parties	47,736	43,233
— An associate	830	845
— Related parties (note 19)	4,219	3,616
	52,785	47,694
Other payables to third parties	31,030	40,631
Dividends payable	975	975
Advances from customers	2,406	7,648
	87,196	96,948

At 30 June 2012, the ageing analysis of the trade payables, including amounts due to related parties of trading nature, are as follows:

	As at	
	30 June 2012	31 December 2011
Less than 30 days	34,372	23,346
31–90 days	12,743	14,736
91–180 days	1,491	3,588
181–365 days	2,623	3,360
Over 365 days	1,556	2,664
	52,785	47,694

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

15. INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	2011
Current income tax		
— Hong Kong profits tax	503	—
— PRC corporate income tax	3,966	5,388
— PRC withholding tax	500	—
	4,969	5,388
Deferred income tax expenses/(credit)	4	(27)
	4,973	5,361

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

PRC corporate income tax

The main business of the Group is conducted by Kong Yue Electronics & Information Industry (Xinhui) Limited (“Kongyue Information”), which is a foreign investment company based in Xinhui City, the PRC. The corporate income tax (the “CIT”) of Kongyue Information is provided for on the basis of its profit reported in the PRC statutory financial statements, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. Pursuant to the PRC Corporate Income Tax Law (the “CIT Law”), the CIT rate is 25%. In addition, the CIT Law provides, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises (“HNTE”). Kongyue Information was designated as HNTE for the three years from 2011 to 2013, and therefore it enjoys a preferential CIT rate at 15% for the three years ending 31 December 2013. The effective CIT rate of other group entities in the PRC is 25% (six months ended 30 June 2011: 25%).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

15. INCOME TAX EXPENSES (CONTINUED)

PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. 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. All dividends distributed out from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

Overseas income tax

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

16. EARNING PER SHARE

— Basic

	Six months ended 30 June	
	2012	2011
Profit attributable to the shareholders of the Company (RMB'000)	20,591	32,895
Weighted average number of ordinary shares in issue (shares in thousands)	559,992	559,825
Basic earnings per share (RMB per share)	0.037	0.059

— Diluted

	Six months ended 30 June	
	2012	2011
Profit attributable to the shareholders of the Company (RMB'000)	20,591	32,895
Weighted average number of ordinary shares in issue (shares in thousands)	559,992	559,825
Adjustments for share options (shares in thousands)	34	48
Diluted earnings per share (RMB per share)	0.037	0.059

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

17. DIVIDENDS

	Six months ended 30 June	
	2012	2011
Interim dividends (note (a))	20,616	28,024

- (a) Interim dividends in respect of six months ended 30 June 2012 of HK\$0.045 per ordinary share totaling approximately HK\$25,200,000 (equivalent to RMB20,616,000 translated at the approximate exchange rate prevailing at 28 August 2012) have been declared out of retained earnings at the board meeting on 28 August 2012.

Interim dividends in respect of six months ended 30 June 2011 of HK\$0.061 per ordinary share totaling approximately HK\$34,159,000 (equivalent to RMB28,024,000 translated at the exchange rate prevailing at 29 August 2011) have been declared out of retained earnings at the board meeting on 29 August 2011.

- (b) Final dividends in respect of 2011 of HK\$0.062 per ordinary share, approximately HK\$34,720,000 (equivalent to RMB28,123,000 translated at the exchange rate prevailing at the date of payments) have been declared out of retained earnings of the Company in the Company's Annual General Meeting on 27 March 2012 and paid during the six months ended 30 June 2012.

18. COMMITMENTS

(i) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June 2012	31 December 2011
No later than 1 year	1,293	1,516
Later than 1 year and not later than 5 years	494	439
	1,787	1,955

(ii) Other commitments

	As at	
	30 June 2012	31 December 2011
Contracted but not provided for — Acquisition of an intangible asset	796	—

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

The directors of the Company regard the Au Family, which is 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 consolidated interim 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 and services with related parties controlled by the Au Family

	Six months ended 30 June	
	2012	2011
Purchases of goods (note (a))	22,580	36,320
Rental expenses paid (note (b))	491	491
Handling fee charged (note (c))	213	545

(ii) Key management compensation

	Six months ended 30 June	
	2012	2011
Salary and other short-term employee benefits	2,747	2,348
Share options	42	4
Retirement scheme contribution	30	23
	2,819	2,375

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Period-end balances with related parties controlled by the Au Family

	As at	
	30 June 2012	31 December 2011
Trade and other receivables (note (d))	2,934	5,197
Trade payables (note (d))	4,219	3,616

- (a) Purchase transactions are negotiated with related parties in the normal course of business.
- (b) Rental expenses are determined with reference to the prevailing rental market price and in accordance with the terms of underlying agreement.
- (c) Handling fees represent service charges for handling customs documents for the Group during import and export process, which are calculated based on approximately 1% of the aggregate value of goods handled by the related party.
- (d) All balances with related parties are unsecured, interest free and repayable on demand.

Other Information

DISCLOSURE OF INTERESTS

(a) Interests and Short Positions of the Directors and Chief Executives of the Company

As at 30 June 2012, the interests and short positions of the directors (the "Directors") and chief executive (the "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 the Securities and Futures Ordinance ("SFO")) which are required to be notified the Company and the Stock Exchange of Hong Kong Limited (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)	394,285,533 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. 394,285,533 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 2012, 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 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.

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

As at 30 June 2012, 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	394,285,533 ^(Note 2)	70.41%(L)
Tai Noi Kit	Kytronics	Interest in controlled corporation	394,285,533 ^(Note 2)	70.41%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	44,960,000 ^(Note 3)	8.03%(L)

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. 394,285,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 20% by each of Ms. Tai Noi Kit ("Ms. Tai") and her spouse Mr. Au. Ms. Tai is therefore deemed to be interested in these shares by virtue her interests in Kytronics pursuant to Part XV of the SFO.
3. The 44,960,000 shares were held by Jayhawk Private Equity Fund II. L.P., which is wholly owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the Chief Executive of the Company are not aware of any person (other than a Director or Chief Executive of the Company) who, as at 30 June 2012, had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Details of the share option scheme were set out in the published annual report of the Company for the year ended 31 December 2011.

The following table discloses movements in the Company's share options during the six months ended 30 June 2012:

Name	Date of grant	Exercise price HK\$	Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2012	Exercise period
Employees — Type 1	3 July 2008	0.63	300,000	—	—	—	300,000	Six years from the date of grant (Note 1)
Employee — Type 3	22 July 2011	1.00	5,490,000	—	—	—	5,490,000	Six years from the date of grant (Note 2)
Total			5,790,000	—	—	—	5,790,000	

Notes:

1. The first 25% of the option can be exercised from the date of grant. The next 25% of the option will become exercisable at the end of nine months after the date of grant. The third 25% of the option will become exercisable at the end of 21 months after the date of grant. The remaining 25% of the option will become exercisable at the end of 33 months after the date of grant.
2. The first 25% of the option can be exercisable at any time on and after the first anniversary of the grant of the option. The next 25% of the option can be exercisable at any time commencing from the second anniversary of the grant of the option. The third 25% of the option can be exercisable at any time commencing from the third anniversary of the grant of the option. The remaining 25% of the option can be exercisable at any time commencing from the fourth anniversary of the grant of the option.

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

During the six months ended 30 June 2012, 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 the Company has complied with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from 1 January 2012 until 31 March 2012, and with the revised Corporate Governance Code from 1 April 2012 to 30 June 2012, save as disclosed below.

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors and the non-executive Director should attend the general meetings of the Company. However, due to other business commitment, the independent non-executive Directors, Mr. Meng Yuan and Mr. Xu Guangmao and the non-executive Director, Mr. Yeung Kwok Keung did not attend the annual general meeting of the Company held on 8 May 2012.

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 Directors. The Company has made specific enquiry of all Directors and the Directors confirmed that, during the six months ended 30 June 2012, they have complied with all the relevant requirements set out in the Model Code.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The audit committee of the Company (the “Audit Committee”) is composed of three independent non-executive Directors. The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2012 had been reviewed by the Audit Committee of the Company.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2012 had been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “Recommendation 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 of the Company and Mr. Au Kwok Lun who is an executive director of the Company.

PUBLICATION OF THE INTERIM REPORT

This interim report is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jolimark.com). This report will be despatched to the shareholders of the Company and made available for review on the aforesaid websites.

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

Hong Kong, 28 August 2012