

Jolimark Holdings Limited

映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2028

Jolimark

Interim Report 2011

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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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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North Point
Hong Kong

COMPANY SECRETARY

Li Ho Cheong *CPA, ACCA*

AUTHORISED REPRESENTATIVES

Au Kwok Lun
Li Ho Cheong

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
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LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Construction Bank
Agricultural 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 2011, the sales of printer and tax control equipment business of the Group increased by approximately 69% from the corresponding period of the previous year to approximately RMB231,868,000, representing approximately 84% of the total turnover of the Group. The increase in sales was mainly attributable to the People's Republic of China (the "PRC") government's continued efforts to promote the use of online invoices, which led to a significant increase in the sales of our "Jolimark" invoice printers.

Other Electronic Products Manufacturing Business

The turnover of the other electronic products manufacturing business of the Group decreased by approximately 23% from the corresponding period of the previous year to approximately RMB43,953,000, representing approximately 16% of the total turnover of the Group. The decrease in turnover was mainly attributable to the decrease in orders from OEM customers of the Group.

FINANCIAL REVIEW

Result Summary

During the six months ended 30 June 2011, the Group recorded a turnover of approximately RMB275,821,000, increased by approximately 42% from the corresponding period of the previous year, with gross profit margin increased from 24.5% to 26.4%.

During the period, profit attributable to shareholders increased by approximately 362% from the corresponding period of the previous year to approximately RMB32,895,000, while basic earnings per share was RMB0.059, representing an increase of RMB0.046 from the corresponding period of the previous year. The improvement of results was mainly attributable to the PRC government continued to cancel manually issued invoices and promote the use of online invoices, which resulted in our printer and tax control equipment business recorded a significant increase in sales by 69% from the previous year, with the sales in our owned brand "Jolimark" invoice printers increased by 73% from the corresponding period of the previous year.

CAPITAL EXPENDITURE

For the six months ended 30 June 2011, capital expenditure amounted to approximately RMB1,990,000, which was mainly related to the purchase of property, plant and equipment.

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2011, the total assets of the Group amounted to approximately RMB580,323,000 (31 December 2010: RMB649,112,000), shareholder's fund amounted to approximately RMB428,634,000 (31 December 2010: RMB444,162,000), non-controlling interests amounted to approximately RMB12,000 (31 December 2010: RMB15,982,000) and current liabilities amounted to approximately RMB151,677,000 (31 December 2010: RMB188,968,000). The current ratio of the Group was approximately 3.2 (31 December 2010: 2.9).

As at 30 June 2011, the cash and cash equivalents of the Group amounted to approximately RMB216,072,000 (31 December 2010: RMB257,483,000) whereas bank loan of the Group amounted to approximately RMB33,265,000 (31 December 2010: 67,819,000). The Group is in a net cash position after setting off the loan amounts.

Management's Discussion and Analysis (continued)

ACQUISITION

On 17 December 2010, Jolimark Technology Limited ("Jolimark Technology"), a subsidiary of the Company, and Jiangmen Kong Yue Information Technology Ltd. ("Jiangmen Kong Yue") entered into an acquisition agreement pursuant to which Jolimark Technology agreed to acquire a 5% equity interest in Kongyue Information from the Jiangmen Kong Yue for a consideration of RMB17,000,000. After the completion of the acquisition, Kongyue Information became an indirect wholly-owned subsidiary of the Company.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2011.

STAFF

As at 30 June 2011, the Group employed a total 1,160 staff, of which all staff were employed in the PRC except for 13 who were employed in Hong Kong and overseas. The Group implemented its remuneration policy based on the merits 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.

PROPOSED INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended an interim dividend for 2011 of HK\$0.061 per share to shareholders whose names appear on the register of members on Monday, 21 September 2011.

The register of members of the Company will be closed from 19 September 2011 to 21 September 2011, 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 16 September 2011.

FUTURE BUSINESS OUTLOOK

As the PRC government continues to promote the use of online invoices, the Group expects a full year growth in performance from the corresponding period of the previous year. The Group will further its efforts in the market development of self-owned brands and research and development of new products for its industry printer equipments. Apart from seizing the opportunity of the PRC's promotion of online invoices, we will also look to becoming a leading provider of printing equipments in the PRC through actively exploring into other fast growing industries in the PRC's consumer market with the greatest potentials for printer applications, such as retail and services, healthcare, personal communication, banking and insurance and logistics. In addition, the Group will strive to improve its operating effectiveness, strengthen its internal management, and continue to trim down inventory levels and waste in order to further enhance its return on capital.

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at	
		30 June 2011 Unaudited	31 December 2010 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	85,132	88,843
Land use right	7	10,178	10,322
Intangible assets	7	743	807
Investment in an associate		159	161
Available-for-sale financial assets		500	500
Deferred income tax assets		88	61
Total non-current assets		96,800	100,694
Current assets			
Inventories		164,546	137,499
Trade and other receivables	8	47,263	62,216
Financial assets at fair value through profit or loss	9	18,884	18,688
Restricted cash	10	36,758	72,532
Cash and cash equivalents		216,072	257,483
Total current assets		483,523	548,418
Total assets		580,323	649,112
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	11	176,649	224,428
Other reserves		193,235	193,879
Retained earnings			
— Proposed dividend		28,024	—
— Unappropriated retained earnings		30,726	25,855
Non-controlling interests		428,634	444,162
		12	15,982
Total equity		428,646	460,144
LIABILITIES			
Current liabilities			
Trade and other payables	12	114,182	120,399
Current income tax liabilities		4,230	750
Borrowings	13	33,265	67,819
Total liabilities		151,677	188,968
Total equity and liabilities		580,323	649,112
Net current assets		331,846	359,450
Total assets less current liabilities		428,646	460,144

The notes on pages 10 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	
		2011 Unaudited	2010 Unaudited
Revenue	6	275,821	194,465
Cost of goods sold		(203,136)	(146,756)
Gross profit		72,685	47,709
Other income		3,919	2,482
Selling and marketing costs		(13,524)	(11,888)
Administrative expenses		(25,601)	(22,591)
Other gains/(losses) — net	15	253	(5,597)
Operating profit	14	37,732	10,115
Finance income — net		1,036	89
Share of losses of an associate		(2)	(4)
Profit before income tax		38,766	10,200
Income tax expenses	16	(5,361)	(2,176)
Profit for the period		33,405	8,024
Profit attributable to:			
— Shareholders of the Company		32,895	7,123
— Non-controlling interests		510	901
		33,405	8,024
Earning per share for profit attributable to the shareholders of the Company (expressed in RMB per share)			
— Basic	17	0.059	0.013
— Diluted	17	0.059	0.013
Dividend	18	28,024	—

The notes on pages 10 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2011 Unaudited	2010 Unaudited
Profit for the period	33,405	8,024
Other comprehensive income for the period	—	—
Total comprehensive income for the period	33,405	8,024
Total comprehensive income for the period attributable to:		
— Shareholders of the Company	32,895	7,123
— Non-controlling interests	510	901
	33,405	8,024

The notes pages 10 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 Unaudited
	Share capital and premium	Other reserves	Retained earnings			
	Unaudited (note 11)	Unaudited	Unaudited	Unaudited		
Balance at 1 January 2010	261,455	191,704	(465)	15,407	468,101	
Comprehensive income						
Total comprehensive income for the six months ended 30 June 2010	—	—	7,123	901	8,024	
Transactions with shareholders in their capacity as shareholders:						
Share options granted to employees	—	56	—	—	56	
Re-purchase and cancellation of shares of the Company	(3,830)	—	—	—	(3,830)	
Dividends relating to 2009 (note 18(b))	(32,558)	—	—	—	(32,558)	
Transactions with shareholders	(36,388)	56	—	—	(36,332)	
Balance at 30 June 2010	225,067	191,760	6,658	16,308	439,793	
Balance at 1 January 2011	224,428	193,879	25,855	15,982	460,144	
Comprehensive income						
Total comprehensive income for the six months ended 30 June 2011	—	—	32,895	510	33,405	
Transactions with shareholders in their capacity as shareholders:						
Share options granted to employees	—	4	—	—	4	
Exercise of share options	395	(128)	—	—	267	
Dividends relating to 2010 (note 18(b))	(48,174)	—	—	—	(48,174)	
Acquisition of additional interest in a subsidiary (note 19)	—	(520)	—	(16,480)	(17,000)	
Transactions with shareholders	(47,779)	(644)	—	(16,480)	(64,903)	
Balance at 30 June 2011	176,649	193,235	58,750	12	428,646	

The notes on pages 10 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

(All amounts in Renminbi thousands unless otherwise stated)

	Six months ended 30 June	
	2011 Unaudited	2010 Unaudited
Cash generated from operating activities—net	22,185	62,512
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,990)	(5,332)
Interests received	2,439	1,330
Cash generated from/(used in) investing activities—net	449	(4,002)
Cash flows from financing activities		
Acquisition of additional interest in a subsidiary	(17,000)	—
Re-purchase and cancellation of the shares of the Company	—	(3,830)
Exercise of share options	267	—
Proceeds from borrowings	—	69,860
Bank deposits pledged for borrowings	36,000	(72,290)
Repayments of borrowings	(33,157)	—
Dividends paid to the shareholders of the Company	(48,174)	(32,558)
Dividends paid to non-controlling interests	(1,659)	—
Cash used in financing activities—net	(63,723)	(38,818)
Net (decrease)/increase in cash and cash equivalents	(41,089)	19,692
Cash and cash equivalents at beginning of the period	257,483	184,478
Exchange loss on cash and cash equivalents	(322)	(179)
Cash and cash equivalents at end of the period	216,072	203,991

The notes on pages 10 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 directors of the Company on 29 August 2011.
- (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 2011 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

3. SIGNIFICANT 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 2010, as described in those annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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

(a) Amendments to existing standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised), “Related Party Disclosures” is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. This has no significant impact on the Group’s financial statements.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Amended standards adopted by the Group (continued)

- HKAS 34 (Amendment), “Interim financial reporting” is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- HKAS 32 (Amendment), “Classification of rights issues” is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.
- HK(IFRIC)-Int 14 (Amendment), “Prepayments of a minimum funding requirement” is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.
- HK(IFRIC)-Int 19, “Extinguishing financial liabilities with equity instruments” is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.
- HKFRS 1 (Amendment), “Limited exemption from comparative HKFRS 7 disclosures for first-time adopters” is effective for annual periods beginning on or after 1 July 2010. This is not relevant to the Group as it is existing HKFRSs preparer.
- Third improvements to HKFRSs (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 “Interim financial reporting” as disclosed in note 3(a), all are not currently relevant to the Group. All improvements are effective for annual periods beginning on or after 1 January 2011.

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 these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of uncertainty affecting estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010, with the exception of changes in estimates that are required in determining the provision for income taxes. Determination of applicable corporate income tax rate of Kong Yue Electronics & Information (Xinhui) Limited (“Kongyue Information”, a major subsidiary of the Group operated in the PRC) for the six months ended 30 June 2011 involved a high degree of judgement and estimate, which are disclosed in note 16.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT

(a) 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 statements do 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 as at 31 December 2010.

There have been no changes in any risk management policies during the six months ended 30 June 2011.

(b) Fair value estimation

The different levels of estimation of fair value 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).

The financial assets at fair value through profit or loss of the Group are measured at fair value, by level 1 valuation method.

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 2011, 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.

During the six months ended 30 June 2011, there were no significant reclassifications of financial assets.

6. SEGMENT INFORMATION

The directors and chief executive officer of the Group are the chief operating decision-maker (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 excludes other income, administrative expenses, other gains/(losses), finance 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 the financial statements.

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 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 — net			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 associate	(2)	—	(2)
Depreciation and amortisation	(3,035)	(1,455)	(4,490)

The segment revenue and results and the reconciliation with profit for the six months ended 30 June 2010 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	137,465	57,000	194,465
Segment results	27,725	8,092	35,817
Other income			2,482
Administrative expenses			(22,591)
Other losses — net			(5,597)
Finance income — net			89
Income tax expenses			(2,176)
Profit for the period			8,024
Segment results include:			
Share of losses of an associate	(4)	—	(4)
Depreciation and amortisation	(3,220)	(1,333)	(4,553)

(a) Revenues from external customers are for sales of goods. There are no inter-segment sales for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

The Group is operating in the PRC. The revenue from external customers are as follows:

	Six months ended 30 June	
	2011	2010
In the PRC	222,718	145,663
In other countries	53,103	48,802
	275,821	194,465

For the six months ended 30 June 2011, approximately 14% of total revenue (six months ended 30 June 2010: approximately 20%) are derived from a single external customer, which is attributable to 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 2010			
Opening net book amount as at 1 January 2010	89,470	10,611	936
Additions	5,332	—	—
Depreciation and amortisation	(5,840)	(144)	(64)
Closing net book amount as at 30 June 2010	88,962	10,467	872
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

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

8. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2011	31 December 2010
Trade receivables		
— Third parties	32,209	41,550
— An associate	386	193
— Related parties (note 20)	959	8,463
	33,554	50,206
Less: provision for impairment of receivables	(4,471)	(4,471)
Trade receivables — net	29,083	45,735
Prepayments		
— Third parties	8,853	4,524
Other receivables		
— Third parties	8,755	9,760
— Related parties (note 20)	572	2,197
	47,263	62,216

As at 30 June 2011, 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 2011, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, was as follows:

	As at	
	30 June 2011	31 December 2010
Less than 30 days	20,071	32,137
31–90 days	6,534	12,000
91–180 days	671	1,027
181–365 days	1,236	—
Over 365 days	5,042	5,042
	33,554	50,206

As at 30 June 2011, trade receivables of RMB1,807,000 (31 December 2010: RMB571,000) are past due but not impaired, which are related to a number of customers with no recent history of default; trade receivables of RMB4,471,000 (31 December 2010: RMB4,471,000) are impaired, which are mainly due from certain customers who are in unexpected difficult economic situations, full amount of the receivables is not expected to be recovered.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2011	31 December 2010
Listed equity securities in the PRC — stated at market value	18,884	18,688

10. RESTRICTED CASH

	As at	
	30 June 2011	31 December 2010
Bank deposits pledged as securities for borrowings	36,290	72,290
Others	468	242
	36,758	72,532

As at 30 June 2011, bank deposits of approximately RMB36,290,000 (31 December 2010: RMB72,290,000) were pledged as securities for the Group's borrowings of HK\$40,000,000 (equivalent to RMB33,265,000) (31 December 2010: HK\$79,700,000, equivalent to RMB67,819,000) (note 13). Such pledged assets will be released after the repayment of the borrowings.

As at 30 June 2011, restricted cash are denominated in RMB.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

11. 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
Balance at 1 January 2010	567,682,000	5,677	6,031	255,424	261,455
Re-purchase and cancellation of the shares of the Company	(8,190,000)	(82)	(72)	(3,758)	(3,830)
Dividends relating to 2009 (<i>note (a)</i>)	—	—	—	(32,558)	(32,558)
Balance at 30 June 2010	559,492,000	5,595	5,959	219,108	225,067
Balance at 1 January 2011	559,492,000	5,595	5,959	218,469	224,428
Dividends relating to 2010 (<i>note (a)</i>)	—	—	—	(48,174)	(48,174)
Exercise of share options (<i>note (b)</i>)	500,000	5	4	391	395
Balance at 30 June 2011	559,992,000	5,600	5,963	170,686	176,649

- (a) The dividends were distributed out of share premium, which is allowable in the Companies' Law of Cayman Islands (*note 18*).
- (b) During the six months ended 30 June 2011, certain employees of the Group have exercised certain of their share options to subscribe 500,000 new shares of the Company at considerations totaling HK\$310,000 (equivalent to RMB267,000). The related weighted average price at the time of exercise was HK\$0.75 per share.

12. TRADE AND OTHER PAYABLES

	As at	
	30 June 2011	31 December 2010
Trade payables		
— Third parties	65,334	51,144
— Related parties (<i>note 20</i>)	14,269	7,586
	79,603	58,730
Other payables to third parties	30,386	45,047
Advances from customers	4,193	16,622
	114,182	120,399

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. TRADE AND OTHER PAYABLES (CONTINUED)

At 30 June 2011, the ageing analysis of the trade payables, including amounts due to related parties of trading in nature, are as follows:

	As at	
	30 June 2011	31 December 2010
Less than 30 days	38,254	33,236
31–90 days	26,376	15,269
91–180 days	9,317	5,615
181–365 days	1,315	2,499
Over 365 days	4,341	2,111
	79,603	58,730

13. BORROWINGS

	As at	
	30 June 2011	31 December 2010
Bank borrowings—secured	33,265	67,819

As at 30 June 2011, bank borrowings are denominated in Hong Kong dollar.

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2011	2010
Opening amount	67,819	—
Additions of borrowings	—	69,860
Repayments of borrowings	(33,157)	—
Exchange gain	(1,397)	(330)
Closing amount	33,265	69,530

Interest expense on borrowings for the six months ended 30 June 2011 is RMB361,000 (six months ended 30 June 2010: RMB241,000).

The Group has no undrawn borrowing facilities as at 30 June 2011 (31 December 2010: nil).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

14. OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the period:

	Six months ended 30 June	
	2011	2010
Inventory write-downs	638	931
Reversal for impairment of receivables	—	(150)

15. OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2011	2010
Foreign exchange (losses)/gains	(169)	318
Gains/(losses) on financial assets at fair value through profit or loss — net (note (a))	422	(5,915)
	253	(5,597)

(a) Amounts represent the gains/(losses) from the investments in listed equity securities (note 9).

16. INCOME TAX EXPENSES

	Six months ended	
	2011	2010
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	(5,388)	(1,827)
	(5,388)	(1,827)
Deferred income tax	27	(349)
	(5,361)	(2,176)

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 not been provided as the Group did not have any assessable profit in Hong Kong for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

16. INCOME TAX EXPENSES (CONTINUED)

PRC corporate income tax

The main business of the Group is conducted by 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 a HNTE for the three years ended 31 December 2010, and therefore it enjoyed a preferential CIT rate at 15% for the three years ended 31 December 2010. During the six months ended 30 June 2011, Kongyue Information has submitted an application to government authorities for being designated as a HNTE for the three years starting from 1 January 2011 but the approval is pending as at the date of this report. Management, after consulting a local qualified independent auditor, has performed an assessment and is of the view that Kongyue Information is qualified as a HNTE and does not foresee any factors causing Kongyue Information not being able to obtain the approval of preferential tax rate at 15%. Thus, management continued to apply CIT rate of 15% in recognition of deferred income tax assets of Kongyue Information as at 30 June 2011 and income tax expenses of Kongyue Information for the six months then ended. The effective CIT rate of other group entities in the PRC is 25% (six months ended 30 June 2010: 25%).

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 coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

As at 30 June 2011, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries (six months ended 30 June 2010: nil), because the Group does not have a plan to distribute earnings generated by its PRC subsidiaries in the period from 1 January 2008 to 30 June 2011 in the foreseeable future.

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.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

17. EARNING PER SHARE

— Basic

	Six months ended 30 June	
	2011	2010
Profit attributable to the shareholders of the Company (RMB'000)	32,895	7,123
Weighted average number of ordinary shares in issue (shares in thousands)	559,825	562,291
Basic earnings per share (RMB per share)	0.059	0.013

— Diluted

	Six months ended 30 June	
	2011	2010
Profit attributable to the shareholders of the Company (RMB'000)	32,895	7,123
Weighted average number of ordinary shares in issue plus adjustments for share options (shares in thousands)	559,872	562,291
Diluted earnings per share (RMB per share)	0.059	0.013

18. DIVIDEND

	Six months ended 30 June	
	2011	2010
Interim dividend (note (a))	28,024	—

- (a) A interim dividend 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.

In a meeting held on 25 August 2010, the directors of the Company determined that no interim dividend would be declared for the six months ended 30 June 2010.

- (b) A final dividend relating to 2010 of HK\$0.03 per ordinary share and a special dividend of HK\$0.072 per ordinary share, totaling approximately HK\$57,119,000 (equivalent to RMB48,174,000 translated at the exchange rate prevailing at the date of payments) have been declared out of share premium in the Company's Annual General Meeting on 20 April 2011 and paid during the six months ended 30 June 2011.

A final dividend in respect of 2009 of HK\$0.014 per ordinary share and a special dividend of HK\$0.054 per ordinary share, totaling approximately HK\$38,045,000 (equivalent to RMB32,558,000 translated at the exchange rate prevailing at the date of payments) have been declared out of share premium in the Company's Annual General Meeting on 17 May 2010 and paid during the six months ended 30 June 2010.

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

- (a) In February 2011, the Company acquired additional 5% of the interests in Kongyue Information at a consideration of RMB17,000,000. The carrying amount of the non-controlling interests in Kongyue Information on the date of acquisition was RMB16,480,000. The Group recognised a decrease in non-controlling interests of RMB16,480,000 and a decrease in equity attributable to shareholders of the Company of RMB520,000. The effect of changes in the ownership interest of Kongyue Information on the equity attributable to shareholders of the Company during the six months ended 30 June 2011 is summarised as follows:

Carrying amount of non-controlling interests acquired	16,480
Consideration paid to non-controlling interests	(17,000)
<hr/>	
Excess of consideration paid recognised within equity	(520)
<hr/>	

- (b) Effects of changes in ownership interests in subsidiaries without change of control on the equity attributable to shareholders of the Company for the six months ended 30 June 2011:

	Six months ended 30 June 2011
<hr/>	
Total comprehensive income of the Group for the period attributable to shareholders of the Company	32,895
Excess of consideration paid to non-controlling interests for the acquisition of additional interests in subsidiary recognised within equity	(520)
<hr/>	
	32,375
<hr/>	

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

20. 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 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

	Six months ended 30 June	
	2011	2010
Purchases of goods from related parties controlled by the Au Family (note (a))	36,320	17,833
Rental expenses paid to a related party controlled by the Au Family (note (b))	491	193
Handling fee charged by a related party controlled by the Au Family (note (c))	545	442

(ii) Key management compensation

	Six months ended 30 June	
	2011	2010
Salary and other short-term employee benefits	2,371	2,668
Share options	4	56
	2,375	2,724

(iii) Period-end balances with related parties

	As at	
	30 June 2011	31 December 2010
Trade and other receivables from related parties controlled by the Au Family (note (d))	1,531	10,660
Trade payables to related parties controlled by the Au Family (note (d))	14,269	7,586

Notes to the Condensed Consolidated Interim Financial Information (continued)

(All amounts in Renminbi thousands unless otherwise stated)

20. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Period-end balances with related parties (continued)

Notes:

- (a) *The above 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 is 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.*

21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 22 July 2011, the Company granted 5,490,000 share options (the “Share Options”) under the share option scheme adopted by the Company on 13 June 2005 to certain employees of the Company (the “Grantees”) that will enable the Grantees to subscribe for a total of 5,490,000 new ordinary shares of HK\$0.01 each in the share capital of the Company.

The share-based payment expense in relation to the Share Options will be amortised over the vesting period of the share options from 22 July 2011 to 22 July 2017.

Other Information

DISCLOSURE OF INTERESTS

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

As at 30 June 2011, 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 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 2011, 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 (continued)

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

As at 30 June 2011, 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 2011, 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 (continued)

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 2010.

The following table discloses movements in the Company's share options during the six months ended 30 June 2011:

Name	Date of grant	Exercise price HK\$	Outstanding at 1.1.2011	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2011	Exercise period
Employees – Type 1	3 July 2008	0.63	300,000	–	–	–	300,000	Six years from the date of grant (Note 1)
Employees – Type 2	3 July 2008	0.63	500,000	–	(500,000)	–	–	Six years from the date of grant (Note 2)
Total			800,000	–	(500,000)	–	300,000	

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 34% of the option can be exercised at the end of 3 months after the date of grant. The next 33% of the option will become exercisable at the end of 15 months after the date of grant. The remaining 33% of the option will become exercisable at the end of 27 months after the date of grant.

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

During the six months ended 30 June 2011, 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 2011, 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 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 2011, they have complied with all the relevant requirements set out in the Model Code.

Other Information (continued)

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 2011 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 2011 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 to consider the remunerations for the Directors and senior management of the Company. The remuneration committee comprises Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao who are all Independent Non-Executive Directors and Mr. Au Kwok Lun (Chairman) who is an Executive Director.

PUBLICATION OF THE INTERIM REPORT

This interim report is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://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, 29 August 2011