

Jolimark

JOLIMARK HOLDINGS LIMITED

映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2028

Interim Report
2014

Contents

Corporate Information	2
Management's Discussion and Analysis	3
Condensed Consolidated Interim Financial Information	7
Other Information	27

Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Lai Ming, Joseph
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

REGISTERED OFFICE

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George Town, Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY SECRETARY

Mr. Lai Sai Wo, Ricky

AUTHORISED REPRESENTATIVES

Mr. Au Kwok Lun
Mr. Lai Sai Wo, Ricky

AUDIT COMMITTEE

Mr. Lai Ming, Joseph (*Chairman*)
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

REMUNERATION COMMITTEE

Mr. Lai Ming, Joseph (*Chairman*)
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung
Mr. Au Kwok Lun

NOMINATION COMMITTEE

Mr. Lai Ming, Joseph (*Chairman*)
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

AUDITOR

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

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Sidley Austin
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8 Finance Street
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Agricultural Bank of China
Xiamen International Bank
Postal Savings Bank of China
Nanyang Commercial Bank
China Everbright Bank

STOCK CODE

2028

WEBSITE

www.jolimark.com

Management's Discussion and Analysis

BUSINESS REVIEW

Printer and Tax Control Equipment Business

For the first half of 2014, the revenue from printers and tax control equipment business amounted to approximately RMB205,462,000, representing approximately 79% of the Group's revenue and a decrease of approximately 3% from the first half of 2013. The decrease in revenue was mainly attributable to the weaker market brought by the slowdown of domestic economic growth as well as the reduced marketing and promotional effort of the Company compared with the corresponding period of last year.

Other Electronic Products Manufacturing Business

The revenue from the Group's other electronic products manufacturing business amounted to approximately RMB54,785,000, representing an increase of approximately 3% against the first half of 2013 and accounting for approximately 21% of the Group's revenue. The increase in revenue was mainly attributable to the recovery of the European and American markets.

MARKET POTENTIAL

For the first half of 2014, the State continued to push ahead with the pilot reform of Business Tax ("BT") to Value-added Tax ("VAT"). Following the inclusion of rail transport and postal service in the pilot reform from 1 January, the State Taxation Administration again issued "Interim Measures of VAT Collection and Administration for Telecom Companies" (《電信企業增值稅徵收管理暫行辦法》) on 14 May, pursuant to which the telecom industry would adopt BT to VAT from 1 June 2014. The Company expected that BT to VAT would be further adopted by all industries upon the full coverage of the pilot industries. The Central Government convened a meeting on 30 June. It considered and approved the plans including "To Deepen the Overall Tax Reform Plan" (《深化財稅體制改革總體方案》) and "To Further Promote the Reform of the Household Registration System View" (《關於進一步推進戶籍制度改革的意見》) so as to ensure a comprehensive reform of the tax system in the PRC. The Company will further enhance the development of tax administration through information technology and strengthen efforts in promoting the established product lines including printed invoices and online invoices.

The newly revised "Companies Law of the People's Republic of China" (《中華人民共和國公司法》) came into effect on 1 March 2014, and the State lowered the threshold of establishing a company to a great extent, relaxed the registration requirements of the registered capital and streamlined the registration process, which would undoubtedly encourage more startups. The policies such as "BT to VAT", the tax reform and new Companies Law are expected to boost the future demand of invoice printers.

The implementation of the reform of the household registration system promoted the urbanization in the country, alleviated citizens' concerns about the future and laying a solid foundation for the long run, which accordingly boosted the desire for consumption. Therefore, the demand for commercial bills and invoice printing will continue to increase in the mid-to-long term.

Management's Discussion and Analysis (Continued)

PRODUCT INNOVATION

In the first half of 2014, our MP-230 series, the lever-free paper loading mini printer, was put into mass production for sales in the market. The series also adopted a self-developed automatic ceramic paper cutter. This technology provides a 50% longer life span compared to the traditional metal cutter. The adoption of this innovative technology is the first in China. In response to the development of online sale, the Company has launched a specific model "Invoice No. 1" online.

Meanwhile, the Company has also completed the research and development on product cost reduction measures, e.g. power adapters and passbook printers. It is expected that the research and development on thermal mini printers with front paper delivery, touch-screen tax control invoice printers, focused projectors for documents and objects and 16:9 short-throw projectors will be gradually completed in the second half of the year. Other research and development projects such as portable printers and bar code and QR code printing devices, WeChat printers, POS devices of cloud CRM system and Android system which targets at the customers from the small-scale retail and service sector as well as the technology and application of inkjet printing are under good progress.

In the first half of 2014, a series of lower cost invoice printers with higher price-performance ratios, such as printers featuring front-paper loading, which are quieter, more stylish, and more intelligent in performance, along with high speed printers for invoices, cards and passbooks have been well received by customers and gained recognition from the market, further enhancing the overall gross margin of the Company, and it is expected that the increase in gross margin would continue in the second half of the year.

OUTLOOK

The Company has overcome the difficulties brought by the slowdown of the overall macro-economy throughout the country by adjusting the marketing strategy of mini printers, introducing new mini printer products to the market, putting more efforts on online sale, establishing new online stores and launching self-developed WeChat e-commerce platforms and making timely adjustments to the marketing strategy according to the changes of market situations.

Looking ahead to the second half of 2014, while the domestic macro-economy is still facing more difficulties, the economic stimulus policies of the Central Government will be implemented and come into effect gradually. Therefore, the Company takes a cautious stance in the business of the whole year of 2014.

FINANCIAL REVIEW

Results Summary

The Group recorded a turnover of approximately RMB260,247,000 in the first half of 2014 which represented a decrease of approximately 2% from the corresponding period of the previous year. The profit attributable to shareholders of the Company enjoyed an increase of 33% over the corresponding period of the previous year and amounted to approximately RMB36,271,000 (first half of 2013: RMB27,181,000). The basic earnings per share were approximately RMB0.065 (first half of 2013: RMB0.049), representing an increase of approximately RMB0.016 over the corresponding period of last year.

Analysis on Sales and Gross Profit

In the first half of 2014, the revenue of the printer and tax control equipment business amounted to approximately RMB205,462,000 and accounted for approximately 79% of the total revenue of the Group, which was the largest contributor to the revenue of the Group, whereas the revenue of other electronic products manufacturing amounted to approximately RMB54,785,000 and accounted for approximately 21% of the revenue of the Group. Comparing with the first half of 2013, the revenue from the printer and tax control equipment business decreased by approximately 3%, whereas revenue from the other electronic products manufacturing business increased by approximately 3%. The Group's gross profit margin increased from approximately 27% of last year to approximately 32%. The increase in gross profit margin was attributable to the cost reduction in Jolimark branded products and the reduced efforts on marketing and promotion campaign.

Capital Expenditure

In the first half of 2014, the capital expenditure of the Group amounted to approximately RMB9,924,000, which was mainly used to acquire production equipment and new product moulds.

Liquidity and Financial Position

As at 30 June 2014, the total assets of the Group amounted to approximately RMB558,333,000 (31 December 2013: RMB569,876,000), shareholders' fund amounted to approximately RMB368,882,000 (31 December 2013: RMB365,760,000), non-controlling interests amounted to approximately RMB58,000 (31 December 2013: RMB44,000) and current liabilities amounted to approximately RMB186,845,000 (31 December 2013: RMB118,434,000). The current ratio (the ratio of current assets to current liabilities) of the Group was approximately 2.4 (31 December 2013: 3.4).

As at 30 June 2014, the cash and cash equivalents and the structured deposits in a bank (including restricted cash) of the Group amounted to approximately RMB260,505,000 (31 December 2013: RMB301,391,000) whereas bank borrowings of the Group amounted to approximately RMB84,118,000 (31 December 2013: RMB93,057,000). The Group was in a net cash position after setting off the loan amounts.

As at 30 June 2014, the Group possessed financial assets at fair value through profit or loss (equity securities traded in China A shares stock exchange) of approximately RMB7,189,000 (31 December 2013: RMB7,641,000). The outstanding bank acceptance bills received from customers amounted to approximately RMB20,908,000 (31 December 2013: RMB6,726,000).

Management's Discussion and Analysis (Continued)

ACQUISITION

As at 30 June 2014, Jolimark Technology Co., Ltd. held 50% of the shares in Gowin Technology International Holdings Limited (31 December 2013: 35% of the shares), a Hong Kong registered high-tech company engaged in research and development and sales of a series of touch-screen electronic products.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2014.

STAFF

As at 30 June 2014, the Group employed 1,243 staff in total. Most of them were based in the PRC while 15 employees were 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 recommended an interim dividend for 2014 of HK\$0.063 per share to shareholders whose names appear on the register of members on 19 September 2014. The interim dividend will be paid on or before Friday, 24 October 2014.

For determining entitlement to the interim dividend, the register of members of the Company will be closed from 17 September 2014 to 19 September 2014, 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, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 16 September 2014.

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 30 June 2014 Unaudited	31 December 2013 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	92,054	88,725
Land use right	7	9,311	9,455
Intangible assets	7	2,338	389
Investment in an associate		89	95
Prepayment for acquisition of a business		1,000	—
Available-for-sale financial assets		4,480	4,480
Restricted cash	11	—	60,000
Total non-current assets		109,272	163,144
Current assets			
Inventories		125,866	118,191
Trade and other receivables	8	55,501	39,509
Financial assets at fair value through profit or loss	9	7,189	7,641
Structured deposits in a bank	10	30,000	31,500
Restricted cash	11	60,000	10,257
Cash and cash equivalents		170,505	199,634
Total current assets		449,061	406,732
Total assets		558,333	569,876
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		101,291	99,088
Other reserves		208,548	208,653
Retained earnings			
— Proposed dividend		28,000	35,000
— Unappropriated retained earnings		31,043	23,019
		368,882	365,760
Non-controlling interests		58	44
Total equity		368,940	365,804
LIABILITIES			
Non-current liabilities			
Borrowings	11	—	83,313
Deferred income tax liabilities		2,548	2,325
		2,548	85,638
Current liabilities			
Trade and other payables	12	95,173	103,221
Current income tax liabilities		7,554	5,469
Borrowings	11	84,118	9,744
		186,845	118,434
Total liabilities		189,393	204,072
Total equity and liabilities		558,333	569,876
Net current assets		262,216	288,298
Total assets less current liabilities		371,488	451,442

The notes on pages 12 to 26 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June 2014 Unaudited	2013 Unaudited
Revenue	6	260,247	265,107
Cost of goods sold		(175,951)	(192,896)
Gross profit		84,296	72,211
Other income		5,328	4,364
Selling and marketing costs		(13,378)	(13,199)
Administrative expenses		(19,408)	(19,407)
Research and development expenses		(10,274)	(8,723)
Other losses — net	13	(290)	(835)
Operating profit		46,274	34,411
Finance costs — net		(1,628)	(90)
Share of losses of an associate		(11)	(2)
Profit before income tax		44,635	34,319
Income tax expenses	14	(8,350)	(7,135)
Profit for the period		36,285	27,184
Profit attributable to:			
— Shareholders of the Company		36,271	27,181
— Non-controlling interests		14	3
		36,285	27,184
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)			
— Basic	15	0.065	0.049
— Diluted	15	0.065	0.049

The notes on pages 12 to 26 form an integral part of this condensed consolidated interim financial information.

	Note	Six months ended 30 June 2014 Unaudited	2013 Unaudited
Dividends	16	28,000	20,036

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2014 Unaudited	2013 Unaudited
Profit for the period	36,285	27,184
Other comprehensive income for the period	—	—
Total comprehensive income for the period	36,285	27,184
Total comprehensive income for the period attributable to:		
— Shareholders of the Company	36,271	27,181
— Non-controlling interests	14	3
	36,285	27,184

The notes on pages 12 to 26 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Attributable to shareholders of the Company			Non- controlling interests	Total equity
	Share capital and premium	Other reserves	Retained earnings		
Balance at 1 January 2013 (Audited)	176,649	201,682	36,570	31	414,932
Comprehensive income					
Profit for the six months ended 30 June 2013	—	—	27,181	3	27,184
Total contributions by and distributions to the shareholders of the Company recognised directly in equity:					
Share options granted to employees	—	220	—	—	220
Dividends	(77,561)	—	(19,727)	—	(97,288)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	(77,561)	220	(19,727)	—	(97,068)
Balance at 30 June 2013 (Unaudited)	99,088	201,902	44,024	34	345,048
Balance at 1 January 2014 (Audited)	99,088	208,653	58,019	44	365,804
Comprehensive income					
Profit for the six months ended 30 June 2014	—	—	36,271	14	36,285
Total contributions by and distributions to the shareholders of the Company recognised directly in equity:					
Share options granted to employees	—	477	—	—	477
Share options exercised by employees	2,203	(582)	—	—	1,621
Dividends (note 16(b))	—	—	(35,247)	—	(35,247)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	2,203	(105)	(35,247)	—	(33,149)
Balance at 30 June 2014 (Unaudited)	101,291	208,548	59,043	58	368,940

The notes on pages 12 to 26 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2014 Unaudited	2013 Unaudited
Cash generated from operating activities — net	11,218	62,490
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,802)	(3,953)
Purchase of intangible assets	(2,122)	—
Acquisition of interest in an associate	—	(5)
Prepayment for acquisition of a business	(1,000)	—
Loans to a joint venture	(2,551)	—
Purchase of structured deposits in a bank	(30,000)	(31,500)
Proceeds from structured deposits in a bank	31,500	30,000
Interests received	4,597	4,009
Cash used in investing activities — net	(7,378)	(1,449)
Cash flows from financing activities		
Bank deposits pledged for borrowings	10,257	(60,000)
Proceeds from borrowings	—	56,736
Repayment of amounts borrowed	(9,744)	—
Proceeds from issuance of ordinary shares	1,621	—
Dividends paid to the shareholders of the Company	(35,247)	(97,288)
Cash used in financing activities — net	(33,113)	(100,552)
Net decrease in cash and cash equivalents	(29,273)	(39,511)
Cash and cash equivalents at beginning of the period	199,634	210,632
Exchange gain/(losses) on cash and cash equivalents	144	(358)
Cash and cash equivalents at end of the period	170,505	170,763

The notes on pages 12 to 26 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

- (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 22 August 2014.
- (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 2014 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 2013, 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 2013, 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (Continued)

(a) Effect of adopting new and amendments to standards

The following new and amended standards and interpretations are mandatory for the year commencing on 1 January 2014. The adoption of these new and amended standards and interpretations does not have significant impact to the results or financial position of the Group.

HKAS 32	Financial instruments: Presentation -offsetting financial assets and financial liabilities
HKAS 36	Recoverable amount disclosures for non-financial assets
HKAS 39	Novation of derivatives
HK(IFRIC) 21	Levies
HKFRS 10, 12 and IAS/HKAS 27	Consolidation for investment entities

(b) New standards and amendments to standards that have been issued but are not yet effective

		Effective for annual periods beginning on or after
HKAS 19 (Amendment)	Defined benefit plans: Employee contribution	1 July 2014
HKFRS (Amendment)	Annual improvements 2012 and 2013	1 July 2014
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKAS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 (Amendment) and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization	1 January 2016
HKFRS 9	Financial instruments	Effective date is not yet determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2017

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

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 estimation uncertainty were the same as those applied to the preparation of the consolidated financial statements for the year ended 31 December 2013.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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 interim condensed consolidated 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 for the year ended 31 December 2013.

There have been no significant changes in risk management policies during the six months ended 30 June 2014.

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:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 — 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 3 — Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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 2014. 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. There were no significant changes in valuation techniques during the period.

Available-for-sale financial asset is equity investment in a private company in Taiwan, which is measured at fair value in level 3 at 30 June 2014.

As at 30 June 2014, 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 2014, 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION

The directors and chief executive officer of the Group are the chief operating decision-makers (the “CODM”) of the Group. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM manages the Group’s business from the perspective of different product lines of the Group, i.e. printers and 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 losses — net, finance costs — net, 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.

The segment revenue and results and the reconciliation with profit for the six months ended 30 June 2014 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	205,462	54,785	260,247
Segment results	59,931	10,976	70,907
Other income			5,328
Administrative expenses			(19,408)
Research and development expenses			(10,274)
Other losses — net			(290)
Finance costs — net			(1,628)
Income tax expenses			(8,350)
Profit for the period			36,285
Segment results include:			
Share of losses of an associate	(11)	—	(11)
Depreciation and amortisation	(3,219)	(858)	(4,077)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan 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 2013 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	211,810	53,297	265,107
Segment results	49,499	9,511	59,010
Other income			4,364
Administrative expenses			(19,407)
Research and development expenses			(8,723)
Other gains — net			(835)
Finance costs — net			(90)
Income tax expenses			(7,135)
Profit for the period			27,184
Segment results include:			
Share of losses of an associate	(2)	—	(2)
Depreciation and amortisation	(2,775)	(845)	(3,620)

(a) Revenues from external customers are for sales of goods. There are no inter-segment sales for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

(b) The Group is domiciled in the PRC. The analysis of geography of the customers of the Group is set out below:

	Six months ended 30 June	
	2014	2013
In the PRC	192,324	198,084
In other countries	67,923	67,023
	260,247	265,107

(c) For the six months ended 30 June 2014, approximately 19% of total revenue (six months ended 30 June 2013: approximately 19%) are derived from a single external customer, which is in the segment of other electronic products manufacturing.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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 2013			
Opening net book amount as at 1 January 2013	86,760	9,744	517
Addition	3,953	—	—
Depreciation and amortisation	(4,172)	(144)	(64)
Closing net book amount as at 30 June 2013	86,541	9,600	453
Six months ended 30 June 2014			
Opening net book amount as at 1 January 2014	88,725	9,455	389
Addition	8,660	—	2,122
Disposals	(211)	—	—
Depreciation and amortisation	(5,120)	(144)	(173)
Closing net book amount as at 30 June 2014	92,054	9,311	2,338

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2014	31 December 2013
Trade receivables		
— Third parties (note (a))	19,276	23,723
— Related parties	627	906
	19,903	24,629
Less: provision for impairment of receivables	—	(4,660)
Trade receivables — net	19,903	19,969
Prepayments to third parties	2,198	1,763
Bills receivable (note (b))	20,908	6,727
Other receivables		
— Third parties	6,906	8,924
— Related parties (note 18)	5,586	2,126
	55,501	39,509

- (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 2014, the ageing analysis of the trade receivables was as follows:

	As at	
	30 June 2014	31 December 2013
Less than 30 days	12,884	10,050
31–90 days	2,466	7,259
91–180 days	1,753	1,629
181–365 days	1,831	862
Over 365 days	969	4,829
	19,903	24,629

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 2014, trade receivables of RMB2,801,000 were past due but not impaired (31 December 2013: trade receivables of RMB5,691,000 were past due of which the amounts of RMB4,660,000 were impaired).

- (b) As at 30 June 2014 and 31 December 2013, bills receivables were bank acceptance bills.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2014	31 December 2013
Listed equity securities in the PRC — stated at market value	7,189	7,641

Losses on financial assets at fair value through profit or loss of RMB452,000 (six months ended 30 June 2013: gain of RMB2,363,000) is included in the “other losses — net” (note 13) of the income statement.

10. STRUCTURED DEPOSITS IN A BANK

As at 30 June 2014, the amount represented structured deposits in a commercial bank in the PRC with a guaranteed minimum return and maturity of not more than one year.

11. BORROWINGS

	As at	
	30 June 2014	31 December 2013
Borrowings included in non-current liabilities:		
Bank borrowings — unsecured	—	27,296
Bank borrowings — secured (Note (a))	—	56,017
	—	83,313
Borrowings included in current liabilities:		
Bank borrowings — secured	—	9,744
Current portion of non-current borrowings		
— Bank borrowings — unsecured	27,560	—
— Bank borrowings — secured (Note (a))	56,558	—
	84,118	9,744
	84,118	93,057

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. BORROWINGS (Continued)

- (a) Amount represents a bank borrowing of HK\$71,250,000 (equivalent to RMB56,558,000), which bears an interest of 1.8% per annum over one-month HIBOR, matures in one year and is secured by the Group's bank deposit of RMB60,000,000.

Interest expenses of the borrowings for the six months ended 30 June 2014 amounted to RMB 871,000 (six months ended 30 June 2013: RMB395,000), which have been recognised as finance costs in the income statement.

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2014	31 December 2013
Floating rate:		
— expiring within one year	91,752	74,743

12. TRADE AND OTHER PAYABLES

	As at	
	30 June 2014	31 December 2013
Trade payables		
— Third parties	41,039	51,932
— An associate	1,246	1,077
— Related parties (note 18)	3,479	2,742
	45,764	55,751
Other payables to third parties	33,076	44,176
Dividends payable	975	975
Advances from customers	15,358	2,319
	95,173	103,221

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. TRADE AND OTHER PAYABLES (Continued)

At 30 June 2014, the ageing analysis of the trade payables, including amounts due to related parties of trading nature, are as follows:

	As at	
	30 June 2014	31 December 2013
Less than 30 days	25,113	23,843
31–90 days	16,639	15,928
91–180 days	1,823	8,761
181–365 days	203	2,482
Over 365 days	1,986	4,737
	45,764	55,751

13. OTHER LOSSES — NET

	Six months ended 30 June	
	2014	2013
Losses on financial assets at fair value through profit or loss — net	(452)	(2,363)
Dividend income of financial assets at fair value through profit or loss	206	154
Losses on disposal of fixed assets	(211)	—
Foreign exchange gains — net	167	1,374
	(290)	(835)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
Current income tax		
— Hong Kong profits tax	370	172
— PRC corporate income tax	6,257	5,644
— PRC dividend withholding tax	1,500	2,000
	8,127	7,816
Deferred income tax	223	(681)
	8,350	7,135

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 June 2014 (six months ended 30 June 2013: 16.5%).

PRC corporate income tax

The main business of the Group is conducted by Kongyue Electronic & 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 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 qualified as a HNTE for three years from 2011 to 2013, and therefore it enjoyed a preferential CIT rate at 15% for the year ended 31 December 2013. During the six months ended 30 June 2014, Kongyue Information has submitted an application to government authorities for being designated as a HNTE for another three years starting from 1 January 2014 but the approval is not yet received as at the date of this report. Management 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, Kongyue Information continued to apply CIT rate of 15% for the six months ended 30 June 2014. The effective CIT rate of other group entities in the PRC is 25% (six months ended 30 June 2013: 25%).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. INCOME TAX EXPENSES (Continued)

PRC dividend withholding tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed out from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. During the period, the Group has made provision for withholding income tax of RMB1,500,000 in respect of the profit distributed by Kongyue Information (six months ended 30 June 2013: RMB2,000,000). The Group has not made provision of deferred income tax of RMB3,672,000 (31 December 2013: RMB3,395,000) for the unremitted earnings of the PRC subsidiaries of RMB73,436,000 (31 December 2013: RMB67,890,000) as the Group does not have a plan to distribute these earnings out of the PRC.

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.

15. EARNING PER SHARE

	Six months ended 30 June	
	2014	2013
— Basic		
Profit attributable to the shareholders of the Company (RMB'000)	36,271	27,181
Weighted average number of ordinary shares in issue (shares in thousands)	560,823	559,992
Basic earnings per share (RMB per share)	0.065	0.049
— Diluted		
Profit attributable to the shareholders of the Company (RMB'000)	36,271	27,181
Weighted average number of ordinary shares in issue (shares in thousands)	560,823	559,992
Adjustments for share options (shares in thousands)	896	53
Diluted earnings per share (RMB per share)	0.065	0.049

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. DIVIDENDS

	Six months ended 30 June	
	2014	2013
Interim dividends (note (a))	28,000	20,036

- (a) Interim dividends in respect of six months ended 30 June 2014 of HK\$0.063 per ordinary share (six months ended 30 June 2013: HK\$0.045 per ordinary share) totaling approximately HK\$35,216,000 (equivalent to RMB28,000,000) have been declared out of retained earnings of the Company at the board meeting on 22 August 2014 (six months ended 30 June 2013: RMB20,036,000).
- (b) A final dividend in respect of 2013 of HK\$0.079 per ordinary share approximately HK\$44,422,000 (equivalent to RMB35,247,000) have been declared out of retained earnings of the Company in the Company's Annual General Meeting on 12 May 2014, which have been paid during the six months ended 30 June 2014.

17. COMMITMENTS

(i) Operating lease commitments

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

	As at	
	30 June 2014	31 December 2013
No later than 1 year	1,458	1,608
Later than 1 year and not later than 5 years	422	500
	1,880	2,108

(ii) Other commitments

	As at	
	30 June 2014	31 December 2013
Contracted but not provided for — acquisition of a business	4,500	—

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. 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.

Gowin Technology International Holdings Limited ("Gowin"), is a joint venture of the Group which the Group holds its 50% equity interest.

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 from related parties controlled by the Au Family

	Six months ended 30 June	
	2014	2013
Purchases of goods and molds from related parties (note (a))	13,245	14,100

(ii) Key management compensation

	Six months ended 30 June	
	2014	2013
Salary and other short-term employee benefits	2,230	2,215
Share options	56	44
Retirement scheme contribution	25	31
	2,311	2,290

Notes to the Condensed Consolidated Interim Financial Information (Continued)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(iii) Period-end balances with related parties

	As at	
	30 June 2014	31 December 2013
Trade and other receivables		
— Trade receivable from parties controlled by the Au Family (note (b))	627	906
— Loans to a joint venture (note (c))	4,604	2,053
— Cash advances to parties controlled by the Au Family (note (b))	982	73
	6,213	3,032
Trade payables to parties		
— controlled by the Au Family (note (b))	3,479	2,742

- (a) Purchase transactions are negotiated with related parties in the normal course of business.
- (b) All balances with related parties controlled by the Au Family are unsecured, interest free and repayable on demand.
- (c) During the period, the Group has advanced loans to Gowin of HK\$3.2 million, equivalent to RMB2,551,000 (six months ended 30 June 2013: nil). The loans to Gowin as at 30 June 2014 amounted to HK\$5.8 million, equivalent to RMB4,604,000, which are guaranteed by the joint venture partner, interest free and repayable by instalments in October 2014 and January and March 2015.

Other Information

DISCLOSURE OF INTERESTS

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

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number of shares held ^(Note 1)	Percentage in the relative class of share capital (approx.)
Mr. Au Pak Yin (“Mr. Au”)	Company	Interest in controlled corporation ^(Note 2)	394,285,533 shares (L)	70.14%
Mr. Au	Kytronics Holdings Limited (“Kytronics”)	Beneficial owner	2 ordinary shares (L)	40%
Mr. Au Kwok Lun	Kytronics	Beneficial owner	1 ordinary share (L)	20%
Mr. Ou Guo Liang	Kytronics	Beneficial owner	1 ordinary share (L)	20%

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 (“Ms. Tai”). 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 Ms. Tai is the beneficial owner of an ordinary share in Kytronics.

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

Other Information (Continued)

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

As at 30 June 2014, 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 or 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 in the relevant class of share capital (approx.) ^(Note 1)
Kytronics	Company	Beneficial Owner	394,285,533 ^(Note 2) shares	70.14%(L)
Ms. Tai Noi Kit ("Ms. Tai")	Kytronics	Interest in controlled corporation	394,285,533 ^(Note 2) shares	70.14%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	73,422,000 ^(Note 3) shares	13.06%(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 and her spouse Mr. Au. Ms. Tai and Mr. Au are therefore deemed to be interested in these shares by virtue of their interests in Kytronics pursuant to Part XV of the SFO.
3. 63,968,000 shares and 9,454,000 shares were held by Jayhawk Private Equity Fund II, L.P. and Kent C. McCarthy Revocable Trust respectively, which are 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 2014, 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 2013.

The following table discloses movements in the Company's share options during the six months ended 30 June 2014:

Name	Date of grant	Exercise price HK\$	Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2014	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 3	22 July 2011	1.00	5,490,000	—	(1,854,000)	—	3,636,000	Six years from the date of grant (Note 2)
Employees — Type 3	10 December 2013	1.18	5,600,000	—	—	—	5,600,000	Six years from the date of grant (Note 2)
Total			11,390,000	—	(2,154,000)	—	9,236,000	

Notes:

- 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.
- 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 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with all the code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2014, save as disclosed below.

Other Information (Continued)

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings of the Company. In accordance with the requirements of code provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting. However, due to other business commitment, the chairman of the Board, Mr. Au Pak Yin and the independent non-executive Directors, Mr. Meng Yan and Mr. Xu Guangmao did not attend the annual general meeting of the Company held on 12 May 2014.

At the annual general meeting of the Company, there were executive Director and other independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

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 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the six months ended 30 June 2014 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the period.

REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The audit committee of the Company (the "Audit Committee") is composed of four independent non-executive Directors. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 had been reviewed by the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 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.

PUBLICATION OF THE INTERIM REPORT

This interim report of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jolimark.com). The report for the Interim Period containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 22 August 2014