JOLIMARK HOLDINGS LIMITED
映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

2005 INTERIM RESULTS ANNOUNCEMENT

UNAUDITED CONSOLIDATED RESULTS

The board of directors ("Board") of Jolimark Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group"), for the six months ended 30 June 2005, which is the first interim result announcement of the Company following the shares of the Company ("Shares") listed on the Main Board of the Stock Exchange of Hong Kong Limited on 29 June 2005, together with the comparative figures for the same period of last year as follows:

Condensed Consolidated Income Statement

		Unaudited Six months ended 30 June	
	Note	**2005** **(*RMB'000*)**	2004 (*RMB'000*) (*restated*)
Sales		**434,361**	425,478
Cost of goods sold		**(354,380)**	(359,557)
Gross profit		**79,981**	65,921
Other gains — net		**1,896**	2,219
Selling and marketing costs		**(12,060)**	(11,201)
Administrative expenses		**(18,342)**	(12,122)
Operating profit		**51,475**	44,817
Finance costs	6	**(3,226)**	(1,471)
Share of loss of associates		**(917)**	(301)
Profit before income tax		**47,332**	43,045
Income tax expense	7	**(6,155)**	(5,543)
Profit for the period		**41,177**	37,502
Attributable to:			
Equity holders of the Company		**40,542**	37,429
Minority interests		**635**	73
		41,177	37,502
Dividend	8	**16,640**	40,500
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
— basic	9	**0.110**	0.103
— diluted		**N/A**	N/A

Condensed Consolidated Balance Sheet

	Note	As at 30 June 2005 Unaudited *(RMB'000)*	31 December 2004 Audited & Restated *(RMB'000)*
ASSETS			
Non-current assets			
Property, plant and equipment		**56,092**	55,917
Intangible assets		**1,892**	1,942
Interests in associates		**11,029**	11,947
Available-for-sale financial assets		**1,750**	—
Investment securities		**—**	1,750
Deferred income tax assets		**2,091**	1,851
		72,854	73,407
Current assets			
Inventories		**147,106**	159,147
Trade receivables	10	**220,926**	165,214
Other receivables and prepayments		**163,833**	24,742
Cash and cash equivalents		**51,592**	38,951
		583,457	388,054
Total assets		**656,311**	461,461
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**5,300**	32
Other reserves		**308,680**	173,485
Retained earnings			
— Proposed interim dividend		**16,640**	—
— Others		**44,667**	20,765
		375,287	194,282
Minority interests		**11,006**	10,371
Total equity		**386,293**	204,653
LIABILITIES			
Current liabilities			
Trade payables	11	**106,737**	104,851
Other payables and accruals		**57,306**	46,096
Current income tax liabilities		**7,975**	5,861
Borrowings		**98,000**	100,000
		270,018	256,808
Total equity and liabilities		**656,311**	461,461
Net current assets		**313,439**	131,246
Total assets less current liabilities		**386,293**	204,653

Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital *(RMB'000)*	**Merger reserve** *(RMB'000)*	**Share premium** *(RMB'000)*	**Other reserves** *(RMB'000)*	**Retained earnings** *(RMB'000)*	**Minority Interests** *(RMB'000)*	**Total** *(RMB'000)*
Balance at 1 January 2004, as previously reported as equity	32	76,893	—	30,754	32,642	—	140,321
Balance at 1 January 2004, as previously separately reported as minority interest	—	—	—	—	—	4,413	4,413
Balance at 1 January 2004, as restated	32	76,893	—	30,754	32,642	4,413	144,734
Profit for the period	—	—	—	—	37,429	73	37,502
Dividend	—	—	—	—	(39,275)	(1,225)	(40,500)
Acquisitions of equity interests of subsidiaries from minority shareholders	—	—	—	—	—	(174)	(174)
Balance at 30 June 2004	32	76,893	—	30,754	30,796	3,087	141,562
Balance at 1 January 2005, as previously reported as equity	32	136,904	—	36,581	20,765	—	194,282
Balance at 1 January 2005, as previously separately reported as minority interest	—	—	—	—	—	10,371	10,371
Balance at 1 January 2005, as restated	32	136,904	—	36,581	20,765	10,371	204,653
Issue of shares for cash	1	—	12,401	—	—	—	12,402
Issue of shares in connection with the Listing	1,325	—	149,725	—	—	—	151,050
Capitalisation of issues	3,942	—	(3,942)	—	—	—	—
Share issuance costs	—	—	(22,989)	—	—	—	(22,989)
Profit for the period	—	—	—	—	40,542	635	41,177
Balance at 30 June 2005	5,300	136,904	135,195	36,581	61,307	11,006	386,293

Notes:

1. GROUP REORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES#

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.

On 10 May 2005, the Company acquired the entire issued share capital in each of Ying Mei Investment Limited ("Ying Mei Investment"), Kong Yue Investment Limited ("Kong Yue Investment") and Visionic Investment Limited ("Visionic Investment"), companies incorporated in the British Virgin Islands, through a share exchange (the "Reorganisation") and consequently became the holding company of the subsidiaries now comprising the Group.

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the group throughout the period ended 30 June 2005, rather than from the date on which the Reorganisation was completed. The comparative figures as at 31 December 2004 and for the period ended 30 June 2004 have been presented on the same basis.

These unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial information should be read in conjunction with the prospectus issued by the Company on 20 June 2005 (the "Prospectus").

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the Prospectus except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

These interim financial information have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing these information. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 20, 21, 23, 24, 27, 28, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

— HKASs 2, 7, 8, 10, 12, 16, 17, 18, 19, 20, 23, 24, 27, 28, 33 and 37 had no material effect on the Group's policies.

— HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

— HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

— Amortised on a straight line basis over a period of ten years; and

— Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (Note 2.3):

— The Group ceased amortisation of goodwill from 1 January 2005;

— Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

— From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

— HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

— HKFRS 3 — prospectively after the adoption date.

(i) The adoption of HKAS 39 resulted in:

	As at 30 June 2005 Unaudited *(RMB'000)*
Increase in available-for-sale financial assets	**1,750**
Decrease in investment securities	**(1,750)**

There was no impact on basic earnings per share from the adoption of HKAS 39.

There was no impact on opening retained earnings at 1 January 2004 from the adoption of HKAS 39.

(b) New accounting policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 are the same as those set out in note 2 of Section II of Appendix I to the Prospectus except for the following:

2.1 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in Renminbi Yuan ("RMB"), which is the functional and presentation currency of the Group's entities with substantial business activities.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Group companies*

The results and financial position of all other group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2.2 *Property, plant and equipment*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.3 *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired associated company at the date of acquisition. Goodwill on acquisitions of associates is included in interests in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.4 *Impairment of assets*

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.5 *Investments*

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries and associates as investment securities.

Investment securities were stated at cost less any provision for impairment losses.

The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary had occurred, the carrying amount of such securities was reduced to its fair value. The impairment loss was recognised as an expense in the income statement. This impairment loss was written back to income statement when the circumstances and events that led to the write-downs or write-offs ceased to exist and there was persuasive evidence that the new circumstances and events will persist for the foreseeable future.

From 1 January 2005 onwards:

The Group classifies its investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all available-for-sale financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost is considered in determining whether the financial assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement.

2.6 *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.7 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.8 *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US dollars"), Japanese Yen and Euro. The Group's businesses are principally conducted in RMB, except for import of some of the direct materials and all machinery used for production that are mainly conducted in US dollars, Japanese Yen and Euro.

(ii) *Price risk*

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by arranging banking facilities.

(d) *Cash flow and fair value interest rate risk*

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

If the revised estimated gross margin at 31 December 2006 had been 10% lower than management's estimates at 30 June 2005, the Group would need to reduce the carrying value of goodwill on acquisition of an associate by RMB4,751,000.

If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the recoverable amounts of cash-generating units would still be above the carrying value of goodwill.

5. SEGMENT INFORMATION

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

The directors also consider that the presentation of geographical segment information is not meaningful as less than 10% of the Group's turnover and results are attributable to the market outside the PRC.

6. FINANCE COSTS

	Unaudited Six months ended 30 June 2005 *(RMB'000)*	30 June 2004 *(RMB'000)*
Interest expense on bank borrowings	**3,226**	1,471

7. INCOME TAX EXPENSE

The Group's business activities are substantially carried out in the PRC. Taxation on PRC profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in PRC in which the Group operates.

	Unaudited Six months ended 30 June 2005 *(RMB'000)*	30 June 2004 *(RMB'000)*
Current income tax — PRC enterprise income tax	**6,395**	5,551
Deferred income tax	**(240)**	(8)
	6,155	5,543

8. DIVIDEND

	For the six months ended 30 June 2005	30 June 2004
Dividend (a)	**—**	40,500
Interim dividend proposed of HK0.032 per ordinary share (b)	**16,640**	—
	16,640	40,500

(a) Dividends of RMB40,500,000 were declared by the Company's subsidiaries to their then shareholders during the six months ended 30 June 2004.

(b) At a meeting held on 15 September 2005 the directors proposed an interim dividend of HK$0.032 per share for the year ending 31 December 2005. This proposed dividend is not reflected as a dividend payable in these condensed financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended	
	30 June 2005	30 June 2004
	(RMB'000)	*(RMB'000)*
Profit attributable to equity holders of the Company	**40,542**	37,429
Weighted average number of ordinary shares in issue *(thousands)*	**368,263**	364,196
Basic earnings per share *(RMB per share)*	**0.110**	0.103

No diluted earnings per share is presented as there were no potential dilutive shares in issue during the periods ended 30 June 2005 and 2004.

10. TRADE RECEIVABLES

	As at	
	30 June 2005	31 December 2004
	Unaudited	Audited
	(RMB'000)	*(RMB'000)*
Trade receivables	**224,352**	168,640
Less: provision for impairment of receivables	**(3,426)**	(3,426)
Trade receivables — net	**220,926**	165,214

The carrying amounts of trade receivables approximate their fair value.

The Group's sales to corporate customers are entered into on credit terms ranging from 30 to 90 days. At 30 June 2005 and 31 December 2004, the ageing analysis of the trade receivables were as follows:

	As at	
	30 June 2005	31 December 2004
	Unaudited	Audited
	(RMB'000)	*(RMB'000)*
0–30 days	**94,049**	90,117
31–90 days	**100,600**	49,120
91–180 days	**10,786**	22,522
181–365 days	**16,159**	6,380
Over 365 days	**2,758**	501
	224,352	168,640

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

The Group has recognised a loss of RMB563,000 (2004: Nil) for the impairment of its trade receivables during the six months ended 30 June 2005. The loss has been included in administrative expenses in the income statement.

11. TRADE PAYABLES

	As at	
	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	(RMB'000)	*(RMB'000)*
Trade payables	**104,084**	66,408
Amounts due to related parties	**2,653**	38,443
	106,737	104,851

At 30 June 2005, the ageing analysis of the trade payables was as follows:

	As at	
	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	(RMB'000)	*(RMB'000)*
0–30 days	**58,238**	68,455
31–90 days	**47,699**	35,186
91–180 days	**257**	895
181–365 days	**268**	232
Over 365 days	**275**	83
	106,737	104,851

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

2005 is a special year for the Group as the Company has reached a new milestone upon the successful listing on 29 June 2005. The successful listing of the Company's shares turned an important page of the business development of the Group and further enhanced the Group's image and reputation.

The Group is mainly engaged in three core businesses, namely owned brand products with higher profit margin; EMS/ODM/OEM business, which maintains the scale of production and reduces overall operational risk; and distributions business which provided the Group's customers with one-stop-shop comprehensive supply chain service. Such three core business activities complement with each other and increase the Group's overall value and its competitiveness. By virtue of such unique business model, the Company's interim results for the six months ended 30 June 2005 has grown steadily and satisfactorily.

(1) *"Jolimark" branded business*

During the period under review, Jolimark branded business recorded a substantial growth.

Recently, the Group has actively stepped up its efforts to develop the products under its owned brand name and the result has been satisfactory. According to the report published by IDC in April 2005, "Jolimark" was the fourth largest brand of dot matrix printer in the PRC market, representing approximately 8.3% of the total shipments in 2004. In order to gain competitors edge from the implementation of the third phase of "Golden Tax Project", the Group further strengthened its sales networks for the period and two new models of printers had been launched in the first half of 2005, namely, LQ-300KII printers and FP-660K receipt printers. The two models of printers have been well received by the market. The two models of printers target the demand of service counters and small and medium enterprises, and have fully satisfied the application requirements of various industries such as finance, taxation, hotel, hospital, insurance, industrial, commerce and public security.

(2) *EMS/ODM/OEM businesses*

For the period under review, the EMS/ODM/OEM businesses of the Group captured a new client in Japan in the first half of the year. It is expected that this line of business will grow steadily in the second half of the year.

(3) *Distribution business*

With regard to the distribution business, the Group primarily distributes SDM printers for Epson. The Group has established 16 branches in major cities and provinces in the PRC, including 16 offices in Beijing, Guangzhou, Shanghai, Shenyang, Wuhan, Chengdu, Xian, Hunan, Kunming, Zhengzhou, Fuzhou, Jinan, Nanjing, Lanzhou, Hangzhou and Nanning respectively. The Group's network of authorised distributors covers throughout the PRC. Furthermore, the Group also manages an after-sales service network comprising over 146 after-sales service centres covering about 20 provinces, 4 autonomous regions and 4 municipalities in the PRC in order to provide customers with the most comprehensive service.

Financial Review

The turnover for the six months ended 30 June 2005 increased by 2% to approximately RMB434,361,000 (2004: approximately RMB425,478,000). Meanwhile, the cost of goods sold decreased by 1% to approximately RMB354,380,000 (2004: approximately RMB359,557,000). As such, the gross profit increased by 21% to approximately RMB79,981,000 (2004: approximately RMB65,921,000) and the overall gross profit margin was 18% (2004: 15%). The result improvement was mainly due to (1) the Group's stringent cost control measures, including the Group's efforts in direct material procurement in the PRC; and (2) the increasing contribution from the sales of "Jolimark" branded products with higher gross profit margin.

For the period, profit attributable to equity holders of the Group and basic earnings per share amounted to RMB40,542,000 and RMB0.11 respectively, representing an increase of 8.3% and 6.8% compared with the first half of 2004 respectively.

Analysis on Sales and Gross Profit

Set out below is a comparison of the Group's turnover, gross profit and gross profit margin in terms of business line for the six months ended 30 June 2005 and six months ended 30 June 2004:

	Six months ended 30 June 2005			Six months ended 30 June 2004		
	Turnover ***(RMB'000)***	**Gross Profit (RMB'000)**	**Gross Profit Margin**	Turnover *(RMB'000)*	Gross Profit *(RMB'000)*	Gross Profit Margin
Jolimark brand business	**126,357**	**44,199**	**35%**	109,836	30,573	28%
Distribution business	**136,881**	**11,469**	**8%**	110,894	10,261	9%
EMS/ODM/OEM businesses	**171,123**	**24,313**	**14%**	204,748	25,087	12%
Total	**434,361**	**79,981**	**18%**	425,478	65,921	15%

During the first half of 2005, the EMS/ODM/OEM businesses were still the largest turnover contributor which accounted for approximately 39%, whereas the Jolimark brand business and the distribution business constituted approximately 29% and 32% of the Group's total turnover for the first half of 2005 respectively. However. the contribution of the EMS/ODM/OEM businesses to the Group's total turnover for the first half of 2004 was approximately 48%, and such decrease was mainly due to the turnover of EMS/ODM/OEM businesses decreased by approximately 16% for the first half of 2005.

During the first half of 2005, Jolimark brand business remained the largest gross profit source for the Group, which contributed approximately 55% of the Group's total gross profit for the first half of 2005, whereas, the EMS/ODM/OEM businesses and the distribution business constituted approximately 30% and 15% of the Group's total gross profit for the first half of 2005 respectively. The contribution of the Jolimark brand business to the Group's total gross profit for the first half of 2004 was approximately 46%, and such increase was mainly due to the increases in the turnover and gross profit margin of Jolimark brand business for the first half of 2005.

Jolimark branded business

The turnover and gross profit of the Jolimark branded business increased by 15% and 44.6% to approximately RMB126,357,000 and RMB44,199,000 respectively. (2004: approximately RMB109,836,000 and RMB30,573,000).

The gross profit margin of the "Jolimark" branded business increased from 28% for the six months ended 30 June 2004 to 35% for the six months ended 30 June 2005.

EMS/ODM/OEM business

Turnover and gross profit of the EMS/ODM/OEM businesses dropped 16% and 3% to approximately RMB171,123,000 and approximately RMB24,313,000 respectively during the first half year of 2005. During the period, the gross profit margin of such business, by virtue of effective cost control measures, increased to 14%, compared 12% for the corresponding period of the previous year.

Distribution business

The turnover of distribution business increased by 23% to RMB136,881,000 with the gross profit margin of 8%.

Capital Expenditure

For the six months ended 30 June 2005, capital expenditure amounted to RMB5,742,000 (2004: RMB10,153,000), which was mainly used for the purchase of moulds for production.

Liquidity and Financial Resources

As at 30 June 2005, the total assets of the Group amounted to RMB656,311,000 (2004: RMB461,461,000), comprising shareholders' fund of RMB375,287,000 (2004: RMB194,282,000) and minority interests of RMB11,006,000 (2004: RMB10,371,000). The current liabilities amounted to RMB270,018,000 (2004: RMB256,808,000), comprising bank loans of RMB98,000,000 (2004: RMB100,000,000). The debt ratio was 14.9% (2004: 21.6%). The Group had no assets held under finance leases for the period.

The financial conditions of the Group were solid as it maintained a strong and steady cash flow from operating activities. As at 30 June 2005, the current assets of the Group amounted to RMB583,457,000 (2004: RMB388,054,000), comprising cash and cash equivalents of RMB51,592,000 (2004: RMB38,951,000). As at 30 June 2005, the current ratio of the Group was 2.2 (2004: 1.5).

Contingent Liabilities

As at 30 June 2005, the Group had no material contingent liabilities.

Staff

As at 30 June 2005, the Group employed a total staff of 1,295, in which 1,281 were employed in Mainland China, while 14 were employed in Hong Kong and overseas. The Group implemented its remuneration policy, bonus and share option schemes based on the results and the performance of individual staff. In addition, fringe benefits such as insurance, medical allowance and pension were provided to ensure the competitiveness of the Group.

Future Prospects

The third phase of "Golden Tax Project" has been launched at the second half of 2005, which requires all retail and service operators (about 30 million to 40 million operators) to install tax control equipment for the payment of business tax by those operations in service and retail industries, and report the sales data to the PRC tax authority via IC card. It is expected it will substantially stimulate the demand for the Group's tax control equipment, including tax control ECRs, external tax control devices, tax control receipt devices, mini printers and normal invoice printers.

China Computer World ("CCW") Research anticipated that the demand of tax control electronic cash register, external tax control devices and tax control receipt printers in the PRC will rise from 1.78 million units in 2006 to 2.35 million units in 2008. The sales amount will increase from RMB5.3 billion in 2006 to RMB7.4 billion in 2008. Currently, the Group obtained the license for the production of tax control electronic cash register granted by the PRC government authorities and expected to submit its tender for tax control electronic cash register in September 2005. The Group foresees that the launching of tax control electronic cash register operation will substantially boost the results of the Group in 2006. By virtue of the Group's over 25% of market share in the second phase of the Project and the extensive experience in developing tax control products, the management has confidence to hit a record high in the third phase of the "Golden Tax Project".

In view of the high demand of business and tax control equipment in the PRC market, the Group will endeavor to increase the popularity of its owned brand in the PRC in the second half of the year in order to increase its market share. The Group has commenced a series of promotion activities for its products after its listing, mainly including placing of advertisement and participating in the trade fairs, as well as organising seminars for end users of business and tax control equipment. With a comprehensive sales network in the PRC, the Group will definitely establish its brand name as the most prominent brand name of business and tax control equipment.

With regard to the EMS business, the Group will continuously capture the advantage of the low labour cost in the PRC, enhance its research and development capabilities and set up a business development team, aiming to broaden its customer base of mid-sized companies overseas, in order to actively expand into overseas market.

With regard to the distribution business, the Group will continue to expand its domestic sales and service network. Currently, we have more than 134 tax control equipment distributors in 23 provinces and autonomous regions in the PRC and a solid customer base in tax industry. The Group will continue to make effort to provide a comprehensive sales and service network to our customers.

The projector market will be another major target market of the Group. According to the report published by CCID, the expected unit sales and sales volume of the projector market in aggregate in the PRC will reach 868,000 units and RMB7,870,000,000 by 2008, representing a compound annual growth rate of 38.1% and 14.5% respectively between 2004 and 2008. To exploit business opportunities in the market, Phenix Series projectors, which are being tried out by the distributors for feedback, have been in mass production and their sales will commence in the fourth quarter of 2005.

Given that projectors and printers share the similar customer groups, the Group will distribute Phenix Series projectors through the existing sales network with full coverage to fully realise synergies. It is expected that projectors will become a major driving force for the Group in the near future. To further expand its customer base, the Group will extend to the high end household market with its position in the front projection product market.

As the volume of imports is greater than exports for the Group, the 2% appreciation of Renminbi is expected to be beneficial to the Group and will not have any substantial impact to the Group. By virtue of the Group's distinctive and successful business model, Jolimark has established a solid position in the PRC's business and tax control equipment market. The management is confident continuing to achieve satisfactory results for the Group in the second half of the year.

Future Investment Plans

As mentioned in the Prospectus, the net proceeds from the Group's initial public offering on 29 June 2005 in the amount of approximately HK$120.0 million are intended to be used as follows:

- up to approximately HK$35 million for strengthening the Group's marketing and promotional activities in the PRC and overseas markets and enhancing brand recognition of the Group's own branded products in the PRC;
- up to approximately HK$35 million for strengthening the Group's capability in research and development;
- up to approximately HK$20 million for potential acquisition of companies engaged in business equipment, tax control equipment and related business;
- up to approximately HK$15 million for expanding its sales and distribution network in the PRC;
- up to approximately HK$10 million for developing overseas EMS business; and
- up to approximately HK$5.0 million used as capital expenditure relating to the acquisition of new machinery and equipment for the development and production of new products and for the enhancement and expansion of the Group's production capacity.

To the extent that the net proceeds are not immediately applied for the above purposes, such net proceeds will be placed on short term deposits with financial institutions and/or licensed banks in Hong Kong or be used as general working capital of the Group.

Dividend and Closure of Register of Members

The Board have proposed an interim dividend for 2005 of HK$3.2 cents per share to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 12 October 2005 at the close of business. The interim dividend will be paid on Monday, 31 October 2005.

The register of members of the Company will be closed from Thursday, 13 October 2005 to Monday, 17 October 2005, 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, Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 12 October 2005.

Purchase, Disposal or Redemption of the Company's Listed Securities

The Company's shares were listed on 29 June 2005. Accordingly, there was no purchase, redemption or disposal by the Group and any of its subsidiaries and their jointly controlled entities, of the Group's listed securities during the period.

Audit Committee

The audit committee of the Company was established on 30 June 2004 in accordance with Appendix 14 to the Listing Rules. The existing committee comprises Mr. Lai Ming, Joseph (chairman), Mr. Meng Yan and Mr. Xu Guangmao. All of the committee members are independent non-executive directors. During the six months ended 30 June 2005, the audit committee held two meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding internal control and financial reporting (including the interim results before recommending them to the Board for approval) with the management, external auditors and internal auditing staff. The audit committee has reviewed the interim report of the Company for six months ended 30 June 2005.

Compliance with the Code on Corporate Governance Practices

Since the listing of its shares on the Stock Exchange, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Publication of Results on the Stock Exchange's Website

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

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

15 September 2005, Hong Kong

As at the date of this announcement, the Board comprises Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Mr. Ng Shu Kai, as executive Directors and Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao, as independent non-executive Directors.

Please also refer to the published version of this announcement in ***(The Standard)***