Jolimark Holdings Limited
映美控股有限公司

(Incorporated In The Cayman Islands With Limited Liability)

Stock Code: 2028

Annual Report 2013

CONTENTS

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

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

Principal Place of Business in Hong Kong

Unit 01, 23A Floor
K. Wah Centre
191 Java Road
North Point
Hong Kong

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
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

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
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

Chairman's Statement

Dear Shareholders:

In 2013, the Group recorded revenue of approximately RMB581,313,000, representing an increase of approximately 27% compared to 2012; and the Group recorded profit attributable to shareholders of approximately RMB67,706,000, representing a significant increase of approximately 68% compared to 2012. Such improvement in performance is mainly attributed to the increased market demand for invoice and receipt printers in 2013 and the further improved competitiveness of our products.

As the economy improved, the government continued to promote domestic demand and consumption, the experiment of "replacing business tax with value-added tax" was implemented nationwide and online invoice was put into force nationwide, resulting in the bill printing market achieved effective growth in 2013. In addition, the Company continuous to launch new products, strengthened its brand awareness and improved product cost, thus further enhancing the competitiveness of its products. At the end of 2013, the cost-effective flat-bed invoice printer and the high-speed bill, card and passbook printer were successfully put into the market and welcomed by customers.

Looking into 2014, the Company will vigorously promote Internet O2O marketing and actively develop mobile wireless connected printing equipment, mobile Internet O2O portable printing equipment as well as bar code and two-dimensional code printing equipment. At the same time, the Company will vigorously develop inkjet printing technology and application, with R & D focus on printing system, inks and print media. Furthermore, the Company is actively planning to use the Internet cloud platform to develop new business models oriented to office and the industry market, such as printing equipment leasing and charging by print volume. Regarding new products, the Company will focus on the introduction of commercial paper mini printer. The Company is also planning to launch the mobile Internet business to provide POS equipment and services for Android system or commercial tenants. Even though the overall economic development situation is complex at the moment, I believe the Company is able to effectively cope with the challenges and achieve further and diversified development of its business.

Finally, on behalf of the Board of Directors, I'd like to express deep thanks to all the shareholders, the management team, the staff and the customers for their strong support to the Group over the past year. With all staff's efforts, enthusiasm and optimism spirit, the Group is confident to continuously devote itself to bringing more long-term and more satisfactory returns to our shareholders.

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

Hong Kong, March 21, 2014

Management's Discussion and Analysis

Business Review

Printer and Tax Control Equipment Business

For the year 2013, the Group's revenue from the business of printers and tax control equipment amounted to approximately RMB464,392,000, representing 80% of the Group's revenue and an increase of approximately 36% when compared with 2012. The increase in sales was mainly attributable to the increased demand for bills and invoice printers, and the continuous enhancement of our products competitiveness in 2013. With an improved economy, the increased demand resulted from the government's implementation of the pilot reform "BT to VAT", (to replace business tax with value-added tax) on 1 August 2013 throughout China, and the "Administrative Measures of Online Invoices"《網絡發票管理辦法》having taken effect on 1 April 2013, which contributed to more comprehensive and intensive promotion of online invoices, resulting in the growth of bill printing market. Moreover, with the consistent launching of new products and continuous improvement in brand awareness and cost-performance ratios, the competitiveness of our products has been further strengthened.

Other Electronic Products Manufacturing Business

The Group's other electronic products manufacturing business, which was mainly targeted at the European and American markets, achieved a relatively steady performance in 2013. The revenue from sales of RMB116,921,000 accounted for 20% of the Group revenue and represented a 2% increase against 2012.

Future Business Outlook

The State will continue to push ahead with the pilot reform of "BT to VAT". In the "Notice of Incorporating Rail Transport and Postal Service Into the Reform of BT to VAT", which was jointly announced on 12 December 2013 by the State Ministry of Finance and State Taxation Administration, it was declared that the two services were to be included in the pilot reform from 1 January 2014, while the online invoices system would be implemented successively throughout China. Accordingly, we are hopeful that the demand for invoice printers would further increase. Furthermore, we believe the government's policies on urbanization and service industry development should have an effect in boosting domestic consumption and raising personal income levels. The demand for commercial bills and invoice printing is set to increase in the mid-to-long term.

By the end of 2013, a number of lower cost invoice printers with higher price-performance ratios, such as printers featuring front-paper loading, quieter, more stylish, and intelligent, along with high speed printers for invoices, cards and passbooks, were successfully launched in the market and are well received by customers.

In 2014, one of our priorities is to promote sales and marketing through the Internet. We will be launching a Jolimark O2O business model. We will expand our online sales channels in the major e-commerce platforms and establish an interactive subscription service account and platform in WeChat. We will strengthen our promotion efforts through mobile-internet channels and will sponsor the "Jolimark Cup" of National Chess League Division A which will be widely publicized through the Internet. As for our new products, we will introduce a series of mini printers specially for printing of commercial bills and inkjet printers.

The rapid development of e-commerce and mobile internet, particularly the application of the O2O WeChat payment and WeChat subscription service account, make printed bills with barcode important gateways in O2O. Thus it will generate a huge demand for mobile printing of commercial invoices and bills; bar code and QR code printing are expected to increase significantly. We will actively develop portable printer as well as the equipment for bar code and QR code printing with various technologies which can wirelessly connect to cellphones. Jolimark will also be targeting at opportunities in the inkjet technology and its applications. We have set up a R&D center for inkjet printing in Taiwan to support our plans for the application of inkjet printing in areas such as medicine, food, logistics and manufacturing. The R&D effort will focus on printing systems, the types of ink and printing medium. Meanwhile, we are actively planning to use cloud platforms to develop new business models, such as the leasing of equipment for printing in the offices and in specific industries. We will also examine the prospect of providing printing service which is charged by volume.

Apart from the business of printers, tax control equipment and projectors, we are considering opportunities in the mobile internet business by leveraging our own printer user base and our existing network of sales and services to support the business of the small-sized retailers and service providers with cloud CRM solutions. We will provide merchants with Android POS equipment to manage their marketing, customer information, consumption and payments.

While the US and Europe are expected to continue their economic revival in 2014, China's domestic macro-economy will be up against some difficulties and downside risks. The overall economic scenario will be more complex, but in the market for bills and invoice printing, there exist a number of favourable factors as mentioned above.

Financial Review

Results Summary

The Group recorded a turnover of approximately RMB581,313,000 for the year ended 31 December 2013, representing an increase of approximately 27% from the previous year. The profit attributable to shareholders of the Company enjoyed an increase of approximately 68% over the previous year and amounted to approximately RMB67,706,000. The basic earnings per share were approximately RMB0.121 (2012: RMB0.072), representing an increase of approximately RMB0.049 over the previous year.

Analysis on Sales and Gross Profit

For the year 2013, the revenue of the printer and tax control equipment business amounted to approximately RMB464,392,000 and accounted for approximately 80% 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 RMB116,921,000 and accounted for approximately 20% of the revenue of the Group. The revenue from the printer and tax control equipment business increased by approximately 36% as compared to that of the previous year, whereas revenue from other electronic products manufacturing business increased by 2%.

The Group's gross profit margin increased from approximately 25.1% of last year to approximately 27.8% in 2013. The increase in gross profit margin was mainly due to the increase in the proportion of sales of Jolimark branded products and reduction in average production costs.

Management's Discussion and Analysis (continued)

Capital Expenditure

For the year 2013, the capital expenditure of the Group amounted to approximately RMB12,334,000, which was mainly used for the purchase of production equipment and moulds for new products.

Financial Position and Liquidity

As at 31 December 2013, the total assets of the Group amounted to approximately RMB569,876,000 (31 December 2012: RMB533,274,000), shareholders' fund amounted to approximately RMB365,760,000 (31 December 2012: RMB414,901,000). The decrease in shareholders' fund was mainly attributable to the payment of a special dividend for the year of 2012. Non-controlling interests amounted to approximately RMB44,000 (31 December 2012: RMB31,000) and current liabilities amounted to approximately RMB118,434,000 (31 December 2012: RMB86,609,000). The current ratio (the ratio of current assets to current liabilities) of the Group was approximately 3.4 (31 December 2012: 5.0).

As at 31 December 2013, the cash and cash equivalents, restricted cash and the structured deposits of the Group amounted to approximately RMB301,391,000 (31 December 2012: RMB241,315,000) whereas the bank borrowings of the Group amounted to approximately RMB93,057,000 (31 December 2012: RMB28,151,000). The Group was in a net cash position after deducting the borrowings.

As at 31 December 2013, the Group held financial assets stated at fair value through profit or loss (equity securities traded in China A shares stock exchange) of approximately RMB7,641,000 (31 December 2012: RMB15,313,000). The decrease was mainly due to the sale of some equity securities. The outstanding bank acceptance bills received from customers amounted to approximately RMB6,726,000 (31 December 2012: RMB1,513,000).

Acquisition

In 2013, Jolimark Technology Co., Ltd, a subsidiary of the Group, acquired an additional 1.71% of the equity interests in International United Technology Co., Ltd. with a consideration of approximately RMB724,000. Jolimark Technology Co., Ltd. held 9.22% shares in that company as at 31 December 2013.

In the same year, Jolimark Technology Co., Ltd. held 35% of the shares in Gowin Technology International Holdings Limited, which is a high-tech company registered in Hong Kong and 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 31 December 2013.

Staff

As at 31 December 2013, the Group employed 1,334 staff in total. Most of them were based in the PRC while 13 employees were employed in Hong Kong and overseas. The Group implemented its remuneration policy, bonus scheme and share option scheme based on business performance of the Group and individual performance of the staff. In addition, fringe benefits, such as insurance, medical allowance and pension, were provided to ensure the Group's competitiveness in the labour market.

Proposed final dividend and closure of register of members

The Board recommended a final dividend for 2013 of HK7.9 cents per share to shareholders whose names appear on the register of members on Thursday, 22 May 2014. The final dividend will be paid on or before Monday, 23 June 2014.

The annual general meeting of the Company will be held on Monday, 12 May 2014. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 7 May 2014 to 12 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, 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, Wanchai, Hong Kong, not later than 4:30 p.m. on 5 May 2014.

For determining entitlement to the proposed final dividend, the register of members of the Company will be closed from 20 May 2014 to 22 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 19 May 2014.

Audit committee

The audit committee comprises Mr. Lai Ming, Joseph as the chairman, Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung, all are Independent Non-Executive Directors. For the year ended 31 December 2013, the audit committee held two meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding the internal control and financial reporting (including the interim and annual results before proposing them to the Board for approval) with the management and external auditor. The audit committee has reviewed the results of the Group for the year ended 31 December 2013.

Report of the Directors

The Board of Directors of the Company (the "Board") is pleased to present its report together with the audited financial statements for the year ended 31 December 2013.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 9 to the financial statements.

An analysis on sales and gross profit for the year ended 31 December 2013 is set out in the Management Discussion & Analysis.

Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 29.

Interim dividend for 2013 of HK4.5 cents was paid by the Company. The Board now recommends a final dividend of HK7.9 cents per share (2012: final dividend of HK4.4 cents and special dividend of HK$17.3 cents per share) in respect of the year ended 31 December 2013.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 19 to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 18 to the financial statements.

Distributable Reserves

As at 31 December 2013, the Company's reserve available for cash distribution as computed in accordance with the Companies Law (2003 Revision) of the Cayman Islands, amounted to approximately RMB129,760,000.

Pre-emptive Rights

There is no provision regarding pre-emption rights under the Company's Article of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Share Options

Pursuant to the share option scheme approved by a written resolution of all shareholders of the Company on 13 June 2005 (the "Scheme"), the Company may grant to, amongst others, the Directors and employees of the Company and its subsidiaries, for the recognition of their contribution to the Group, options to subscribe for the Shares. According to the Scheme, the Board may, at its discretion, invite any eligible participants to take up options to subscribe for the Shares in the Company. The total number of Shares which may be issued upon the exercise of all options to be granted under the Scheme and any other scheme must not, in aggregate, exceed 10% of the number of Shares in issue as at the date dealings in the Shares first commence on the Stock Exchange unless further shareholders' approval had been obtained pursuant to the conditions set out in the Scheme. Subject to the requirements of the Listing Rules, the total number of Shares that may be granted to a participant in any 12-month period must not exceed 1% of the issued share capital of the Company.

The offer for the grant of options ("Offer") must be taken up within 28 days from the date of offer, with a payment of HK$1.00 as consideration for the option. The exercise price of the share option will be determined at the higher of (i) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (iii) the nominal value of the Shares. The total number of shares available for issue should be 50 million which is equivalent to 10% of the shares in issue when the Scheme was adopted by the shareholders. The share options are exercisable at any time during a period of no more than 10 years from the date of Offer, subject to the terms and conditions of the Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by resolution in general meeting, the Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Scheme becomes unconditional.

The following table discloses movements in the Company's share options during the year:

Name	Date of grant	Exercise price HK$	Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2013	Exercise period
Employees — Type 1	3 July 2008	0.63 (Note 3 and 4)	300,000	—	—	—	**300,000**	Six years from the date of grant (Note 1)
Employee — Type 3	22 July 2011	1.00 (Note 5 and 6)	5,490,000	—	—	—	**5,490,000**	Six years from the date of grant (Note 2)
Employee — Type 3	10 December 2013	1.18 (Note 7 and 8)	—	5,600,000	—	—	**5,600,000**	Six years from the date of grant (Note 2)
Total			5,790,000	5,600,000	—	—	**11,390,000**	

Notes:

1. The first 25% of the option can be exercised from the date of grant. The next 25% of the option will become exercisable at the end of nine months after the date of grant. The third 25% of the option will become exercisable at the end of 21 months after the date of grant. The remaining 25% of the option will become exercisable at the end of 33 months after the date of grant.

2. The first 25% of the option can be exercisable at any time on and after the first anniversary of the grant of the option. The next 25% of the option can be exercisable at any time commencing from the second anniversary of the grant of the option. The third 25% of the option can be exercisable at any time commencing from the third anniversary of the grant of the option. The remaining 25% of the option can be exercisable at any time commencing from the fourth anniversary of the grant of the option.

3. The closing price immediately before the date of grant was HK$0.60.

4. The exercise price was determined by the Directors of the Company and was fixed at HK$0.63 per share.

5. The closing price immediately before the date of grant was HK$0.80.

6. The exercise price was determined by the Directors of Company and was fixed at HK$1.00 per share.

7. The closing price immediately before the date of grant was HK$1.18.

8. The exercise price was determined by the Directors of Company and was fixed at HK$1.18 per share.

Directors

As at date of this annual report, the Directors of the Company are as follows:

Executive Directors

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

Independent Non-Executive Directors

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

Pursuant to Article 108(a) of the Articles of Association, at each of the annual general meeting, one third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years. Mr. Au Kwok Lun, Mr. Meng Yan and Mr. Xu Guangmao will hold office only until the coming Annual General Meeting (the "AGM") and, being eligible, will offer themselves for re-election at the AGM.

Directors' Service Contracts

Mr. Yeung Kwok Keung and other Directors have renewed their service agreements with the Company for another term of 3 years commencing from 1 August 2011 and 13 June 2011 respectively. Save as above, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Save as disclosed under the heading "Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Director's Rights to Acquire Shares

Apart from the Scheme disclosed above, at no time during the year was the Company, its holding company or any its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on page 17 to page 19.

Employees and Remuneration Policy

Retirement benefit plans

As stipulated by the rules and regulations in the PRC, the Group participates in the retirement benefit scheme operated by the relevant local government authorities. The Group is required to make contribution on behalf of its employees in the PRC in accordance with the relevant PRC regulations.

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute 15% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

In Hong Kong, the Group has set up a retirement scheme according to the mandatory provident fund requirement prescribed by the Mandatory Provident Scheme Ordinance. All the Hong Kong based employees and the Group is required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK$1,250 by each of the employee and the Group) on a monthly basis to the fund.

Disclosure of Interests

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

As at 31 December 2013, 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 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 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)	70.41%
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 31 December 2013, 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.

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

As at 31 December 2013, as far as is known to the Directors and the chief executive of the Company, the following persons (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 shares(Note 2)	70.41%(L)
Ms. Tai Noi Kit ("Ms. Tai")	Kytronics	Interest in controlled corporation	394,285,533 shares(Note 2)	70.41%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	55,946,000 shares(Note 3)	9.99%(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% 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. 46,348,000 shares and 9,598,000 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 31 December 2013, 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.

Management contracts

Save as disclosed under the heading "Connected Transactions", no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major suppliers and customers

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 38% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 19% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 21% of the total purchases of the Group.

In the Group's five largest suppliers, it included Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision") and Guang Dong Jotech Kong Yue Precision Industries Limited ("Jiangmen Yida") which are connected to the Company. Details of the transaction had been stated under the section of Connected Transactions. Save as disclosed above, none of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Connected Transactions

Details of the connected transactions entered into by the Group during the year are set out below:

	Note	**Amount** RMB'000
Continuing connected transactions		
(I) Import and Export Agency Agreement with Jiangmen Kong Yue Information Product Import Export Limited ("KY Import/Export")		
— Handling fees for import agency services	(i)	852
(II) Supply agreements with Guangdong Kong Yue Precision Industry ("Guangdong Precision")	(ii)	17,633
(III) Supply agreement with Guang Dong Jotech Kong Yue Precision Industry Limited ("Jiangmen Yida")	(iii)	7,485

Notes:

(i) The service fees charged by KY Import/Export in relation to import of materials for the Group are approximately 1% of the purchase price of the materials. The annual cap of the transactions is RMB2,763,000 for the year ended 31 December 2013.

(ii) Pursuant to the agreements entered into by Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information", a subsidiary of the Company) and Jiangmen Kong Yue Jolimark Information Technology Limited ("Kongyue Jolimark", a subsidiary of the Company) with Guangdong Precision on 17 December 2010 (collectively referred to as the "Precision Agreements"), respectively, Guangdong Precision agreed to supply precision plastic parts to Kongyue Information and Kongyue Jolimark from time to time as requested by the Kongyue Information and Kongyue Jolimark. The annual cap of the transactions for the year ended 31 December 2013, in aggregate, is RMB36,984,000.

(iii) Pursuant to the agreement entered into by Kongyue Information and Jiangmen Yida on 17 December 2010, Jiangmen Yida agreed to supply metal stamped parts to Kongyue Information from time to time as requested by Kongyue Information. The annual cap of the transactions for the year ended 31 December 2013 is RMB33,500,000.

The aforesaid continuing connected transactions have been reviewed by the Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (d) have not exceeded the relevant annual maximum amount stipulated in the relevant agreement.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Report of the Directors (continued)

Sufficiency of Public Float

The Company has maintained sufficient public float throughout the year ended 31 December 2013.

Subsequent Events

There have been no material events which took place subsequent to 31 December 2013.

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 year ended 31 December 2013 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

Compliance with the Corporate Governance Code

The Company has adopted and complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2013, save as disclosed below.

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 Yuan and Mr. Xu Guangmao did not attend the annual general meeting of the Company held on 6 May 2013.

At the annual general meeting of the Company, there were an executive Director, another Independent Non-Executive Director and a Non-Executive Director present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Au Pak Yin
Chairman

Hong Kong, 21 March 2014

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 68, is the chairman of the Company and a founder of the Group. He is in charge of corporate strategy and planning and the overall development of the Group. He has over 25 years of experience in distribution and manufacturing of business equipment in the PRC. Mr. Au first started to trade in Hong Kong in 1986 and in 1989, he began to engage in the trading of printers in the PRC. In 1997, Mr. Au and his family members commenced the production of SDM printers by establishing Kongyue Printing. The Group was founded by Mr. Au in 1998 through the establishment of Kongyue Information. Mr. Au is an honorary citizen of Jiangmen. He is the father of Mr. Au Kwok Lun and Mr. Ou Guo Liang.

Mr. Au Kwok Lun, aged 42, is an Executive Director and the chief executive officer of the Company. He is primarily in charge of strategy execution and overall management of the Group. Mr. Au obtained a bachelor of arts degree in technical English from Huazhong University of Science & Technology in 1994 and a bachelor of business administration degree in information and system management from the Hong Kong University of Science & Technology in 1998. Prior to joining the Group in May 1999, Mr. Au Kwok Lun worked as a trainee engineer for Motorola Semiconductor Hong Kong Limited and assistant general manager of Kongyue Technology. He has over 14 years of operational experience in the distribution and manufacturing of business equipment in the PRC and has been overseeing the expansion of the Group. He is experienced in marketing and distribution, product development and supply procurement. Mr. Au is a standing member of the China Computer Industry Association, the Vice Chairman of the Printer Profession Committee of the China Computer Industry Association and a standing member of the China Computer Users Association and a standing member of the Printing and Image Display Application Sub-Committee of the China Computer Users Association, a member of the Executive Committee of Jiangmen Division, Pearl River Delta Industries Committee, Hong Kong Federation of Industries, and the Chinese People's Political Consultative Conference of Jiangmen City. In 2005, Mr. Au received the 2005 Young Industrialist Awards of Hong Kong from the Federation of Hong Kong Industries. Mr. Au Kwok Lun is the son of Mr. Au Pak Yin and the brother of Mr. Ou Guo Liang.

Mr. Ou Guo Liang, aged 38, is an Executive Director of the Company. He assists the chief executive officer in formulation of strategy, development of new business and the management of sales and marketing networks. He has over 13 years of experience in sales and marketing. Mr. Ou obtained a bachelor of economics degree in international corporate management from the Central University of Finance and Economics (中央財經大學) in 1998. Mr. Ou joined the Group in November 1998. He is the son of Mr. Au Pak Yin and the brother of Mr. Au Kwok Lun.

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 69, was appointed as an Independent Non-Executive Director on 8 March, 2005. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia, the Chartered Institute of Management Accountants ("CIMA") and the HK Institute of Directors. He was also the President of the HKICPA in 1986.

He co-founded the HK Centre of CIMA (then known as the Institute of Cost and Management Accountants) in 1973 and served as its President in 1974/75 and 1979/80.

Until his retirement in 2004, Mr. Lai held key management positions in corporate finance and organisation and management information in several HK listed companies. He is an independent non-executive director of Shinhint Acoustic Link Holdings Limited, Guangzhou R&F Properties Co., Limited and Country Garden Holdings Company Limited, all of which are companies listed on the Stock Exchange of Hong Kong. Mr. Lai is also an independent non-executive director of Nan Fung Group Holdings Limited (previously known as Chen's Holdings Limited) and Nan Fung Property Holdings Limited (previously known as "Sheng Fung Company Limited" (成豐有限公司)).

Mr. Meng Yan, aged 57, obtained a doctorate degree in economics from the Financial Science Research Centre of the Ministry of Finance (財政部政科學研究所) in 1997 and was a consultant to the Accounting Standard Committee of the Ministry of Finance (財政部會準則委員會) for two years from September 2002 to September 2004. From 2001 to 2003, Mr. Meng served as a member of the Listing Committee of the China Securities Regulatory Commission (中國證券監督管理委員會股票發行審核委員會). Mr. Meng has over 19 years experience in tertiary education of accountancy in the PRC. He is currently the dean of the School of Accountancy of the Central University of Finance and Economics (中央財經大學). Mr. Meng was appointed as an Independent Non-Executive Director on 8 March 2005.

Mr. Xu Guangmao, aged 67, graduated in 1968 from the computer science department of Tsinghua University. Mr. Xu has over 35 years of experience in computer and peripheral equipment development and research. He served as a managing deputy chairman of China Computer Industry Association for eight years. He was a director and president of Beijing CCID Information Limited and a vice-chairman of the computer engineering & application branch of Chinese Institute of Electronics. Mr. Xu was appointed as an Independent Non-Executive Director on 8 March 2005.

Mr. Yeung Kwok-Keung, aged 66, was appointed a non-executive director of the Company on 1 August 2011 and assumed the role of an Independent Non-Executive Director since 21 October 2013. He was involved in information technology, logistics and venture capital investment until his retirement in 2008. As a Distinguished Fellow of the Hong Kong Computer Society, Mr. Yeung had also served as its President. He was also the Chairman of the Information Technology Committee of the Hong Kong SAR Government.

Mr. Yeung participated broadly in public and community services, and served on professional bodies for many years. He had also served on a variety of high level advisory bodies in academia, industry and the government. He was a member of Hong Kong Productivity Council, Hong Kong Vocational Council and Hong Kong Logistics Council.

He is a Justice of the Peace in Hong Kong and an honorary citizen of Changchun.

Senior Management

Mr. Liang Qi Jiang is the Vice President and General Manager of the Group's information equipment business division. He is responsible for the development of printer products and has overall responsibility for after-sales services. Mr. Liang graduated from Huazhong Polytechnic (華中工學院) (now known as Huazhong University of Science & Technology (華中科技大學). Mr. Liang has over 19 years of experience in the research and development and production management of printers. Mr. Liang joined the Group in August 1996.

Mr. Sng Seng Poh is the Project Administration Director for the Group's Electronic Manufacturing Services (EMS). He is responsible for the administration of EMS projects. In March 1990, Mr. Sng obtained the Diploma in Business Efficiency & Productivity (Production Management) from NPB Institute for Productivity Training in Singapore. Mr. Sng has over 18 years of experience in production management of SMT. Before joining the Group, Mr. Sng has worked for Richgold Industries Pte Limited in Singapore. Mr. Sng joined the Group in December 1998.

Mr. Rao Zi Neng is Assistant to the President of the Group, Director of Business Systems Development and Director of the President's Office. He is responsible for business systems products development and the management of the administration department. Mr. Rao is a senior engineer and has over 15 years of experience in software development and information technology management. Mr. Rao graduated from Zhejiang University majoring in computer software in 1982. Before joining the Group, Mr. Rao worked for various electronics and information technology companies in the PRC including Shenzhen Electronics Institute Ai Hua Electronics Limited (深圳愛華電子研究所), Shenzhen Ai Hua Ketuo Electronics Limited (深圳愛華科拓電子公司), Founder iASPEC (S7) Information Technologies Limited (方正永泰(深圳)信息技術有限公司) and Founder Cyber-Tech Co. Limited (深圳北大方正數碼科技有限公司). Mr. Rao joined the Group in July 2001.

Corporate Governance Report

The Company has adopted and complied with all the code provisions as set out in the Corporate Governance Code during the year ended 31 December 2013, save as disclosed below.

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 6 May 2013.

At the annual general meeting of the Company, there were an Executive Director, another Independent Non-Executive Director and a Non-Executive Director present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

The following summarises the Company's corporate governance practices and explains deviations, if any, from the Corporate Governance Code.

Directors' Securities Transactions

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The Directors confirmed that there was not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2013.

Board of Directors

As at 31 December 2013, the Board comprises three Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang and four Independent Non-Executive Directors, being Mr. Lai Ming, Joseph, Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung. Mr. Au Kwok Lun and Mr. Ou Guo Liang are the sons of Mr. Au Pak Yin. The Directors are considered to have a balance of skills and experience appropriate for the requirements of the business of the Company. Details of the Directors are shown on pages 17 to 18 of this annual report.

During the year ended 31 December 2013, four board meetings and two general meetings were held and the attendance was as follows:

Name of Director	General meeting attendance	Board meeting attendance
Executive Director		
Mr. Au Pak Yin	0/2	4/4
Mr. Au Kwok Lun	2/2	4/4
Mr. Ou Guo Liang	0/2	3/4
Independent Non-Executive Director		
Mr. Lai Ming, Joseph	2/2	4/4
Mr. Meng Yan	0/2	4/4
Mr. Xu Guangmao	0/2	4/4
Mr. Yeung Kwok Keung	2/2	4/4

All of the above Directors had participated in continuous professional development to develop and refresh their knowledge and skills.

The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. There is a clear division of responsibilities amongst committees and each of them has a specific term of reference. The Board is responsible for determining the overall strategy and approving the annual business plan of the Group, and ensuring the business operations are properly planned, authorised, undertaken and monitored. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decisions.

The Board has delegated the day-to-day responsibilities to the executive management.

Chairman and Chief Executive Officer

The Board appointed Mr. Au Pak Yin as the Chairman, who was responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues were discussed by the Board in a timely and constructive manner. The Board appointed Mr. Au Kwok Lun as the Chief Executive Officer, who was delegated with the responsibilities of investor relations and public relations of the Group. The Board also comprises Independent Non-Executive Directors who bring strong independent judgement, knowledge and experience to the Board. As noted under the section of Audit Committee of this report, all the Audit Committee members are Independent Non-Executive Directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

Independent Non-Executive Directors

Save for Mr. Yeung Kwok Keung who was redesignated as an Independent Non-Executive Director on 21 October 2013, Independent Non-Executive Directors are re-appointed for another three-year term on 13 June 2011.

The Board also confirmed receipt of the annual confirmation letter from each of the Independent Non-Executive Directors confirming his independence as at 31 December 2013.

Remuneration Committee

The Board has established a Remuneration Committee ("RC"). The RC comprises of Mr. Lai Ming Joseph (Chairman), Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung, who are all Independent Non-Executive Directors and Mr. Au Kwok Lun who is an Executive Director. During the year ended 31 December 2013, the RC had reviewed the remuneration policy and remuneration packages of the Directors and senior management.

For the year ended 31 December 2013, the Remuneration Committee held two meetings. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Lai Ming, Joseph *(Chairman of RC)*	2/2
Mr. Meng Yan	2/2
Mr. Xu Guangmao	2/2
Mr. Au Kwok Lun	2/2
Mr. Yeung Kwok Keung	N/A*

* Mr. Yeung Kwok Keung was appointed as a member of the RC on 21 October 2013. The two meetings were held in 2013 prior to his appointment.

The principal responsibility of the RC is to determine the remuneration of the Directors and members of the senior management.

Nomination Committee

The Board has established a Nomination Committee ("NC"). The NC comprises of Mr. Lai Ming Joseph (Chairman), Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung, who are all Independent Non-Executive Directors. During the year ended 31 December 2013, NC had reviewed the policy for the nomination of Directors.

For the year ended 31 December 2013, the Nomination Committee held one meeting. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Lai Ming, Joseph *(Chairman of NC)*	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1
Mr. Yeung Kwok Keung	N/A*

* Mr. Yeung Kwok Keung was appointed as a member of the NC on 21 October 2013. The meeting was held in 2013 prior to his appointment.

During the year, the Board adopted a board diversity policy setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through considering a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. The Company will also take into account factors based on its own business model and specific needs from time to time. Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Nomination Committee will review the board diversity policy on a regular basis to ensure its continued effectiveness.

Auditor's Remuneration

PricewaterhouseCoopers had been appointed as the auditor of the Group. During the year ended 31 December 2013, total fee paid/payable to PricewaterhouseCoopers amounted to RMB1,400,000, of which RMB1,320,000 is related to annual audit, interim review, other audit services and RMB80,000 is related to other non-audit services.

Audit Committee

The Board establishes a formal and transparent arrangement for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The Audit Committee ("AC") established by the Company has clear terms of reference. The Company confirmed receipt of acknowledgement from all directors of their responsibility for preparing the accounts.

All the members of the AC are Independent Non-Executive Directors. The AC is chaired by Mr. Lai Ming, Joseph who is a certificated public accountant and the committee members are Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung.

The functions specified in Code Provision C3.3(a) to (n) of the Corporate Governance Code were included in the Terms of Reference of the Audit Committee. The Terms of Reference of the Audit Committee also explains the role and the authority delegated by the Board.

Two meetings were convened by the AC during the year ended 31 December 2013. The attendance record of each member is as follows:

Name of Director	**Attendance**
Mr. Lai Ming Joseph *(Chairman of Audit Committee)*	2/2
Mr. Meng Yan	2/2
Mr. Xu Guangmao	2/2
Mr. Yeung Kwok Keung	N/A*

* Mr. Yeung Kwok Keung was appointed as a member of the AC on 21 October 2013. The two meetings were held in 2013 prior to his appointment.

During the year ended 31 December 2013, the AC reviewed the final results of 2012 and interim results of 2013 and discussed and approved financial and other reports for the year. Also, the AC met with the external auditor to discuss auditing and internal control matters.

Directors' Training

Pursuant to A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. From time to time, Directors are provided with written materials to develop and refresh their professional skills. The Directors had fulfilled the relevant requirements under A.6.5 of the Corporate Governance Code during the year.

Company Secretary's Training

Pursuant to rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary indicated no less than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

Internal Controls

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control system and reviewing their effectiveness. The Group's internal control system has been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. The Board has conducted a review of the effectiveness of the internal control system of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions. The internal audit department of the Company is implementing a procedure to review the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis which aims to cover all major operations of the Group on a rotational basis.

Shareholders' Rights

Extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Unit 01, 23A/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong or by email at investor@jolimark.com. The Company Secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

Investor Reactions

There are no significant changes in the Company's constitutional documents during the year.

Independent Auditor's Report

羅兵咸永道

To the shareholders of Jolimark Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jolimark Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 82, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2014

Balance Sheets

As at 31 December 2013

(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	**2013**	2012	**2013**	2012
ASSETS					
Non-current assets					
Property, plant and equipment	6	**88,725**	86,760	**—**	—
Land use rights	7	**9,455**	9,744	**—**	—
Intangible assets	8	**389**	517	**—**	—
Investments in subsidiaries	9	**—**	—	**212,997**	212,520
Investment in an associate		**95**	92	**—**	—
Available-for-sale financial assets	10	**4,480**	3,756	**—**	—
Restricted cash	17	**60,000**	—	**—**	—
		163,144	100,869	**212,997**	212,520
Current assets					
Inventories	12	**118,191**	137,116	**—**	—
Trade and other receivables	13	**39,509**	38,661	**—**	—
Amounts due from subsidiaries	13	**—**	—	**165,120**	237,572
Financial assets at fair value through profit or loss	14	**7,641**	15,313	**—**	—
Structured deposits in a bank	15	**31,500**	30,000	**—**	—
Restricted cash	17	**10,257**	683	**—**	—
Cash and cash equivalents	16	**199,634**	210,632	**906**	979
		406,732	432,405	**166,026**	238,551
Total assets		**569,876**	533,274	**379,023**	451,071
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	18	**99,088**	176,649	**99,088**	176,649
Other reserves	19	**208,653**	201,682	**212,965**	212,488
Retained earnings	29				
— proposed final dividend	31	**35,000**	19,911	**35,000**	19,911
— unappropriated retained earnings		**23,019**	16,659	**1,635**	10,767
		365,760	414,901	**348,688**	419,815
Non-controlling interests		**44**	31	**—**	—
Total equity		**365,804**	414,932	**348,688**	419,815

Balance Sheets (continued)

As at 31 December 2013

(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	2013	2012	2013	2012
LIABILITIES					
Non-current liabilities					
Borrowings	20	**83,313**	28,151	**27,296**	28,151
Deferred income tax liabilities	21	**2,325**	3,582	**—**	—
		85,638	31,733	**27,296**	28,151
Current liabilities					
Trade and other payables	22	**103,221**	82,926	**930**	930
Amounts due to subsidiaries	22	**—**	—	**2,109**	2,175
Current income tax liabilities		**5,469**	3,683	**—**	—
Borrowings	20	**9,744**	—	**—**	—
		118,434	86,609	**3,039**	3,105
Total liabilities		**204,072**	118,342	**30,335**	31,256
Total equity and liabilities		**569,876**	533,274	**379,023**	451,071
Net current assets		**288,298**	345,796	**162,987**	235,446
Total assets less current liabilities		**451,442**	446,665	**375,984**	447,966

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

The notes on pages 33 to 82 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2013

(All amounts in Renminbi thousands unless otherwise stated)

	Note	2013	2012
Revenue	5	**581,313**	456,875
Cost of goods sold	24	**(419,807)**	(342,159)
Gross profit		**161,506**	114,716
Other income	23	**11,215**	8,973
Selling and marketing costs	24	**(30,140)**	(30,370)
Administrative expenses	24	**(43,048)**	(35,288)
Research and development expenses	24	**(20,927)**	(15,412)
Other gains — net	26	**3,313**	8,719
Operating profit		**81,919**	51,338
Finance costs — net	27	**(226)**	(498)
Share of losses of an associate		**(2)**	(5)
Profit before income tax		**81,691**	50,835
Income tax expenses	28	**(13,972)**	(10,568)
Profit for the year		**67,719**	40,267
Profit attributable to:			
— Shareholders of the Company		**67,706**	40,260
— Non-controlling interests		**13**	7
		67,719	40,267
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
— Basic	30	**0.121**	0.072
— Diluted	30	**0.121**	0.072

Details of dividends payable to the shareholders of the Company for the year are set out in note 31.

The notes on pages 33 to 82 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

(All amounts in Renminbi thousands unless otherwise stated)

	2013	2012
Profit for the year	**67,719**	40,267
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**67,719**	40,267
Total comprehensive income for the year attributable to:		
— Shareholders of the Company	**67,706**	40,260
— Non-controlling interests	**13**	7
	67,719	40,267

The notes pages 33 to 82 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium (note 18)	Other reserves (note 19)	Retained Earnings	Non-controlling interests	Total equity
Balance at 1 January 2012	176,649	197,066	49,231	24	422,970
Comprehensive income					
Profit for the year	—	—	40,260	7	40,267
Contributions by and distributions to the shareholders of the Company recognised directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	—	4,182	(4,182)	—	—
Share options granted to employees	—	434	—	—	434
Dividends	—	—	(48,739)	—	(48,739)
	—	4,616	(52,921)	—	(48,305)
Balance at 31 December 2012	176,649	201,682	36,570	31	414,932
Balance at 1 January 2013	**176,649**	**201,682**	**36,570**	**31**	**414,932**
Comprehensive income					
Profit for the year	**—**	**—**	**67,706**	**13**	**67,719**
Contributions by and distributions to the shareholders of the Company recognised directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	**—**	**6,494**	**(6,494)**	**—**	**—**
Share options granted to employees	**—**	**477**	**—**	**—**	**477**
Dividends (note 31)	**(77,561)**	**—**	**(39,763)**	**—**	**(117,324)**
	(77,561)	**6,971**	**(46,257)**	**—**	**(116,847)**
Balance at 31 December 2013	**99,088**	**208,653**	**58,019**	**44**	**365,804**

The notes on pages 33 to 82 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

(All amounts in Renminbi thousands unless otherwise stated)

	Note	2013	2012
Cash flows from operating activities			
Cash generated from operations	32	**133,229**	110,631
Income tax paid		**(13,443)**	(8,375)
Interest paid		**(1,685)**	(596)
Net cash generated from operating activities		**118,101**	101,660
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,334)**	(11,024)
Acquisition of interest in an associate		**(5)**	—
Purchases of available-for-sale financial assets		**(724)**	(3,256)
Purchase of structured deposits in a bank		**(31,500)**	(30,000)
Proceeds from structured deposits in a bank		**30,000**	—
Interests received		**6,643**	3,636
Net cash used in investing activities		**(7,920)**	(40,644)
Cash flows from financing activities			
Bank deposits pledged for borrowings		**(70,000)**	—
Proceeds from borrowings		**66,480**	31,937
Repayments of borrowings		**—**	(3,688)
Dividends paid to shareholders of the Company		**(117,324)**	(48,739)
Net cash used in financing activities		**(120,844)**	(20,490)
Net (decrease)/increase in cash and cash equivalents		**(10,663)**	40,526
Cash and cash equivalents at beginning of the year		**210,632**	170,116
Exchange losses on cash and cash equivalents		**(335)**	(10)
Cash and cash equivalents at end of the year	16	**199,634**	210,632

The notes on pages 33 to 82 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

1. General Information

(a) Jolimark Holdings Limited (the "Company") was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Law (2003 Revision) of the Cayman Islands. The address of its registered offices is Clifton House, 75 Fort Street, PO Box 1350 GT, George Town, Grand Cayman, Cayman Islands.

(b) The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacture and sale of printers, tax control equipment and other electronic products manufacturing in the People's Republic of China (the "PRC").

(c) The Company had its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 June 2005.

(d) These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 21 March 2014.

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures

(a) Effect of adopting new and amended standards

The following new and amended standards and interpretations are mandatory for the year commencing on 1 January 2013. The adoption of these new and amended standards and interpretations does not have significant impact to the results or financial position of the Group.

HKFRS 1 (Amendment)	First time adoption: on government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Transition guidance in HKFRS 10, 11 and 12
HKFRS 13	Fair value measurements
HKAS 1 (Amendment)	Presentation of items of other comprehensive income (OCI)
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Associate and joint ventures
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine
HKFRS (Amendments)	Annual improvements 2009 — 2011 cycle

(b) New and amended standards and interpretations issued but are not effective for financial year ended 31 December 2013 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKAS 19 (Amendment)	Benefit plans	1 July 2014
HKAS 32 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2014
HKFRS/HKAS (Amendment)	Annual improvements 2010-2012 cycle	1 July 2014
HKFRS/HKAS (Amendment)	Annual improvements 2011-2013 cycle	1 July 2014

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.

2. Summary of Significant Accounting Policies (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2013.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Investments in subsidiaries

In the Company's balance sheet the investments in subsidiaries are stated at cost (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2. Summary of Significant Accounting Policies (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management of the Group that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of group 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 Company's functional and presentation currency.

(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 consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance cost — net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains — net".

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. When the property, plant and equipment is acquired through transfers of equity instruments of the group entities, the item is recognised at its fair value with a corresponding increase in equity; unless that fair value cannot be estimated reliably, in which case the item and the corresponding increase in equity are measured at the fair value of the equity instruments granted.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

2. Summary of Significant Accounting Policies (continued)

2.5 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Plant and machinery	10–20 years
Furniture and fixtures	5 years
Leasehold improvements	Lower of lease term or estimated useful life of 2–5 years
Motor vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

2.6 Land use rights

Cost of acquiring rights to use certain land for the Group's operations over a certain period is considered as prepaid operating lease and is recorded as land use rights in the balance sheet. Land use rights are recognised as an expense on a straight-line basis over the unexpired period of the rights.

2.7 Intangible assets

Proprietary technology

Proprietary technology is recognised at historical cost. Proprietary technology has a definite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of proprietary technology over its estimated useful life (10 years).

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill — are not subject to amortisation and are tested annually for impairment. 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 ("CGUs"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of Significant Accounting Policies (continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets as the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables", "restricted cash" and "cash and cash equivalents" in the balance sheet.

(c) Available-for-sale financial assets

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 them within 12 months of the balance sheet date.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets 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 financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loan and receivables are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently carried at cost less impairment provisions.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement within "other income" when the Group's right to receive payments is established.

Gains or losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are presented in the consolidated income statement within "other gains — net" in the period in which they arise.

2. Summary of Significant Accounting Policies (continued)

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the equity investments below its cost is evidence that the 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 profit or loss — is recognised in the consolidated income statement. Impairment losses recognised on equity instruments are not reversed.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Summary of Significant Accounting Policies (continued)

2.12 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 consolidated income statement.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks.

2.14 Share capital and premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders.

Certain group entities can distribute dividends out of share premium according to the applicable laws and regulations of the relevant jurisdictions. Where dividends are declared out of share premium, the amount is deducted from share premium account.

2.15 Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 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 consolidated 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. Summary of Significant Accounting Policies (continued)

2.17 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of Significant Accounting Policies (continued)

2.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group participates in a number of defined contribution plans in the PRC and Hong Kong, the assets of which are generally administrated by the relevant authority of the PRC or held in separate trustee-administered funds in Hong Kong. The pension plans are generally funded by payments from employees and the relevant group entities. The Group pays contributions to the pension plans on a mandatory or contractual basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to fully vesting in the contributions.

(c) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets) and any non vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity reassesses its estimates of the number of options that are expected to vest, and recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiaries of the Group is treated as capital contribution to the subsidiaries in the Company's financial statements. The fair value of employee services received, measured by reference to the fair value of the options granted, is recognised over the vesting period as an increase to investment in subsidiary, with a corresponding credit to equity.

2. Summary of Significant Accounting Policies (continued)

2.19 Employee benefits (continued)

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.20 Provision

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group based its estimates on historical results, taking into consideration the type of customers, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership and collectability of the related receivables is reasonably assured, which generally coincides with the time when the goods are delivered to customers.

2. Summary of Significant Accounting Policies (continued)

2.21 Revenue recognition (continued)

(b) Provision of services

Provision of services is recognised in the accounting period in which the services are rendered.

(c) Incentive subsidy

Incentive subsidy is recognised as income of the period in which the Group has complied with the conditions attaching to those (if any) in accordance with the relevant agreements and the subsidy has been received or it is reasonably assured that the subsidy will be received.

2.22 Interest income

Interest income is recognised on a time-proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2.23 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated income statement on a straight-line basis over the period of the lease.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial Risk Management

3.1 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.

(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$"), Japanese Yen ("JPY"), Euro and Hong Kong dollars ("HK$"). The Group's businesses are principally conducted in RMB, except for import of certain raw materials and machinery from overseas suppliers, sales of goods to overseas customers and borrowing that are denominated in US$, JPY, Euro or HK$. Management anticipated the amounts of import of goods are larger than the amounts of export sales and RMB would continue to be strengthening, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

At 31 December 2013, if RMB had strengthened/weakened by 3% against the US$ and HK$ with all other variables held constant, post-tax profit for the year would be higher/lower by RMB2,079,000 (2012: if RMB had strengthened/weakened by 0.2% against the US$ and HK$ with all other variables held constant, post-tax profit would be higher/lower by RMB26,000), which is mainly attributable to net result of exchange differences on translation of US$ and HK$ denominated trade receivables, cash and cash equivalents, borrowings and trade payables.

(ii) Interest rate risk

The Group's major interest-bearing assets are cash and cash equivalents, restricted cash and structured deposits in a bank. The maturity term of cash and cash equivalents, restricted cash and structured deposits in a bank is within 12 months so there would be no significant interest rate risk for these financial assets.

As at 31 December 2013, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit would have been RMB389,000 lower/higher (2012: RMB118,000), mainly as a result of higher/lower interest expenses on these variable-rate financial liabilities.

The Group has not used any financial instrument to hedge its exposure to interest rate risk.

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group which classified on the consolidated balance sheet either as available-for-sale financial assets or financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversified its portfolio.

As at 31 December 2013, if the market price of the listed equity securities had been 10% higher/lower with all other variables held constant, post-tax profit for the year would increase/decrease by RMB649,000 (2012: RMB1,302,000) as a result of the changes in the listed equity securities.

The carrying amounts of available-for-sale financial assets represent the Group's maximum exposure to price risk.

(b) Credit risk

The carrying amount of cash and cash equivalents, deposit in a financial institution and restricted cash and trade and other receivables represent the Group's maximum exposure to credit risk at the reporting date in relation to financial assets. The Group does not hold any collateral as security.

The cash and cash equivalents, restricted cash and deposit in a financial institution of the Group are deposited in those financial institutions without significant credit risk, most of which are state-controlled commercial banks with no history of non-performance. Management does not expect any losses from non-performance by these finance institutions.

Credit risk related to trade and other receivables is the risk that the receivables cannot be collected on the due date. The Group has policies in place to ensure that sales of goods are made to customers with a good credit quality based on assessment of ageing of trade receivables, repayment history, the customers' financial position and other factors. As at 31 December 2013, 64% of trade receivables are due from three major customers of the Group (2012: 59%). For bills receivable, the Group will only accept selected bank acceptance bills issued by large or medium sized commercial banks in the PRC, and with maturity periods normally not more than 6 months. Management considers the default risk from these bank acceptance bills are low as they consider that PRC financial market is highly regulated and bankruptcy or default of PRC financial institutions should be rare.

(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; the Company aims to maintain flexibility by settlement of amounts due from subsidiaries.

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of the financial liabilities.

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years
Group			
At 31 December 2013			
Borrowings	11,505	83,989	—
Trade and other payables	82,339	—	—
At 31 December 2012			
Borrowings	859	859	28,490
Trade and other payables	69,706	—	—
Company			
At 31 December 2013			
Borrowings	603	27,531	—
Amounts due to subsidiaries	2,109	—	—
Trade and other payables	930	—	—
At 31 December 2012			
Borrowings	859	859	28,490
Amounts due to subsidiaries	2,175	—	—
Trade and other payables	930	—	930

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets as shown on the consolidated balance sheet. As at 31 December 2013, the total borrowings for the Group is RMB93,057,000 (2012: RMB28,151,000) and the gearing ratio is 16% (2012: 5%).

3. Financial Risk Management (continued)

3.3 Fair value estimation

The different levels of fair value hierarchy are 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 as at 31 December 2013 are measured at fair value in level 1. 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.

Available-for-sale financial asset as at 31 December 2013 is equity investment in a private company in Taiwan, which is measured at fair value in level 3.

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 year ended 31 December 2013, 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.

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.

(a) Net realisable value of inventories

Net realisable value of inventories is based on the management's best estimations of selling price of the inventories in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are made with reference to the current market conditions and the historical experience of selling goods of similar nature. It could change significantly as a result of changes in market condition. Management reassesses these estimations at each balance sheet date.

(b) Provision for impairment of trade and other receivables

Management determines the provision for impairment of receivables based on the credit history of the customers and the current market conditions. Although the provision is based on the management's best estimations, it could change significantly as a result of change in financial positions of customers and market conditions. Management reassesses the provision at each balance sheet date.

(c) Income tax and deferred tax

The Group is subject to corporate income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

(All amounts in Renminbi thousands unless otherwise stated)

5. Segment Information

The directors and chief executive officer of the Company are 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, research and development expenses, other gains/losses, finance income/costs and income tax expenses, which are centrally managed for the Group.

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2013 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	**464,392**	**116,921**	**581,313**
Segment results	**110,182**	**21,182**	**131,364**
Other income			**11,215**
Administrative expenses			**(43,048)**
Research and development expenses			**(20,927)**
Other gains — net			**3,313**
Finance costs — net			**(226)**
Income tax expenses			**(13,972)**
Profit for the year			**67,719**
Segment results include:			
Share of loss of an associate	**(2)**	**—**	**(2)**
Depreciation and amortisation	**(4,914)**	**(2,107)**	**(7,021)**

(All amounts in Renminbi thousands unless otherwise stated)

5. Segment Information (continued)

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2012 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	342,099	114,776	456,875
Segment results	64,351	19,990	84,341
Other income			8,973
Administrative expenses			(35,288)
Research and development expenses			(15,412)
Other gains — net			8,719
Finance costs — net			(498)
Income tax expenses			(10,568)
Profit for the year			40,267
Segment results include:			
Share of loss of an associate	(5)	—	(5)
Depreciation and amortisation	(4,505)	(2,180)	(6,685)

(a) Revenues from external customers are for sales of goods. There is no inter-segment sales for the year ended 31 December 2013 (2012: nil).

(b) The Group is domiciled in the PRC. The revenue from external customers are as follows:

	2013	2012
In the PRC	**434,809**	311,261
In other countries	**146,504**	145,614
	581,313	456,875

(c) In 2013, approximately 19% of total revenue (2012: approximately 24%) are derived from a single external customer, which is in the segment of other electronic products manufacturing.

(d) As at 31 December 2013, the Group's non-current assets are mainly located in the PRC.

(All amounts in Renminbi thousands unless otherwise stated)

6. Property, Plant and Equipment — Group

	Buildings	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
At 1 January 2012						
Cost	56,665	116,658	13,904	2,098	6,944	196,269
Accumulated depreciation	(9,347)	(86,167)	(10,416)	(1,398)	(4,814)	(112,142)
Net book amount	47,318	30,491	3,488	700	2,130	84,127
Year ended 31 December 2012						
Opening net book amount	47,318	30,491	3,488	700	2,130	84,127
Additions	—	10,027	688	304	5	11,024
Disposals	—	(55)	(5)	—	—	(60)
Depreciation	(1,449)	(5,738)	(737)	(48)	(359)	(8,331)
Closing net book amount	45,869	34,725	3,434	956	1,776	86,760
At 31 December 2012						
Cost	**56,665**	**126,630**	**14,587**	**2,402**	**6,949**	**207,233**
Accumulated depreciation	**(10,796)**	**(91,905)**	**(11,153)**	**(1,446)**	**(5,173)**	**(120,473)**
Net book amount	**45,869**	**34,725**	**3,434**	**956**	**1,776**	**86,760**
Year ended 31 December 2013						
Opening net book amount	**45,869**	**34,725**	**3,434**	**956**	**1,776**	**86,760**
Additions	**—**	**10,937**	**549**	**161**	**687**	**12,334**
Disposals	**—**	**(1,799)**	**(124)**	**—**	**(263)**	**(2,186)**
Depreciation	**(1,449)**	**(5,617)**	**(534)**	**(180)**	**(403)**	**(8,183)**
Closing net book amount	**44,420**	**38,246**	**3,325**	**937**	**1,797**	**88,725**
At 31 December 2013						
Cost	**56,665**	**135,768**	**15,012**	**2,563**	**7,373**	**217,381**
Accumulated depreciation	**(12,245)**	**(97,522)**	**(11,687)**	**(1,626)**	**(5,576)**	**(128,656)**
Net book amount	**44,420**	**38,246**	**3,325**	**937**	**1,797**	**88,725**

(All amounts in Renminbi thousands unless otherwise stated)

6. Property, Plant and Equipment — Group (continued)

Depreciation was expensed in the following category in the consolidated income statement:

	2013	2012
Cost of goods sold	**6,359**	6,015
Administrative expenses	**1,579**	2,080
Selling and marketing costs	**245**	236
	8,183	8,331

7. Land Use Rights — Group

At 1 January 2012	
Cost	11,550
Accumulated amortisation	(1,517)
Net book amount	10,033
Year ended 31 December 2012	
Opening net book amount	10,033
Amortisation	(289)
Closing net book amount	9,744
At 31 December 2012	
Cost	11,550
Accumulated amortisation	(1,806)
Net book amount	9,744
Year ended 31 December 2013	
Opening net book amount	**9,744**
Amortisation	**(289)**
Closing net book amount	**9,455**
At 31 December 2013	
Cost	**11,550**
Accumulated amortisation	**(2,095)**
Net book amount	**9,455**

(All amounts in Renminbi thousands unless otherwise stated)

7. Land Use Rights — Group (continued)

The land is outside Hong Kong and held on leases of 40 years, with remaining useful life of 32.7 years (2012: 33.7 years).

Amortisation of RMB289,000 (2012: RMB289,000) is included in the cost of goods sold in the consolidated income statement.

8. Intangible Assets — Group

	Proprietary technology
At 1 January 2012	
Cost	1,344
Accumulated amortisation	(682)
Net book amount	662
Year ended 31 December 2012	
Opening net book amount	662
Amortisation	(145)
Closing net book amount	517
At 31 December 2012	
Cost	1,344
Accumulated amortisation	(827)
Net book amount	517
Year ended 31 December 2013	
Opening net book amount	**517**
Amortisation	**(128)**
Closing net book amount	**389**
At 31 December 2013	
Cost	**1,344**
Accumulated amortisation	**(955)**
Net book amount	**389**

Amortisation of RMB128,000 (2012: RMB145,000) is included in the cost of goods sold in the consolidated income statement.

(All amounts in Renminbi thousands unless otherwise stated)

9. Investments in Subsidiaries — Company

	2013	2012
Investments in unlisted shares, at cost	**211,751**	211,751
Share options granted to employees of subsidiaries	**1,246**	769
	212,997	212,520

The following is a list of the subsidiaries at 31 December 2013:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/paid-in capital	Attributable equity interest held
Directly held by the Company				
Ying Mei Investment Limited	The British Virgin Island (the "BVI")	Investment holdings/PRC	US$50,000	100%
Kong Yue Investment Limited	BVI	Investment holdings/PRC	US$50,000	100%
Indirectly held by the Company				
Jolimark Technology Limited	Hong Kong	Investment holdings/PRC	HK$10,000	100%
Jolimark (S) Pte. Limited	Singapore	Wholesale of computer hardware and peripheral equipment/Singapore	SG$100,000	100%
Shanghai Jiangnuo Digital Technology	PRC	Wholesale of business equipment and tax control equipment/PRC	RMB20,000,000	95.25%
Jiangmen Kong Yue Jolimark Information Technology Limited	PRC	Manufacturing and sales of business equipment and tax control equipment/PRC	HK$36,050,000	100%
Kong Yue Electronics & Information Industry (Xinhui) Limited ("Kongyue Information")	PRC	Manufacturing and sales of business equipment and tax control equipment/PRC	US$25,660,000	100%
Xin Yue Logistics Limited	Hong Kong	Logistics agent/Hong Kong	HK$2	100%
Jolimark Information Technology (China) Limited*	PRC	Manufacturing and sales of Jolimark branded products/PRC	RMB50,000,000	100%
Jiangmen Kong Yue Jolimark Tax Control Services Limited	PRC	Marketing of tax control equipment/PRC	RMB500,000	95%
Jolimark Printing Solutions (Hong Kong) Limited	Hong Kong	Wholesale of business equipment and tax control equipment/Hong Kong	HK$10,000	100%
Advanced Inkjet Systems Limited ("Advance Inkjet")**	Taiwan	Research and development of the inkjet print heads	TWD3,700,000	100%

All the subsidiaries are limited liability companies.

(All amounts in Renminbi thousands unless otherwise stated)

9. Investments in Subsidiaries — Company (continued)

* Pursuant the resolution of the board of directors of Jolimark Information Technology (China) Limited on 26 November 2013, it has declared liquidation. As at the date of these consolidated financial statements, its liquidation process has not been completed.

** Established on 24 December 2013 with share capital of TWD3,700,000 (equivalent to RMB763,000).

10. Available-for-sale Financial Assets — Group

	2013	2012
Beginning of the year	**3,756**	500
Addition	**724**	3,256
	4,480	3,756

Amount represents an investment in a private company in Taiwan whose principle activities are research, development and manufacturing of inkjet print heads in Taiwan. During the year, the Group further acquired 1.7% of the equity interests of this company at a consideration of TWD3,501,269 (equivalent to RMB724,000). As at 31 December, the Group held 9.2% equity interests of this company.

(All amounts in Renminbi thousands unless otherwise stated)

11. Financial Instruments by Categories

Group

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale	Total
Assets as per consolidated balance sheet				
At 31 December 2013				
Available-for-sale financial assets	**—**	**—**	**4,480**	**4,480**
Trade and other receivables, excluding prepayments (note 13)	**—**	**37,746**	**—**	**37,746**
Financial assets at fair value through profit or loss (note 14)	**7,641**	**—**	**—**	**7,641**
Structured deposits in a bank	**—**	**31,500**	**—**	**31,500**
Restricted cash	**—**	**70,257**	**—**	**70,257**
Cash and cash equivalents (note 16)	**—**	**199,634**	**—**	**199,634**
	7,641	**339,137**	**4,480**	**351,258**
At 31 December 2012				
Available-for-sale financial assets	—	—	3,756	3,756
Trade and other receivables, excluding prepayments (note 13)	—	35,028	—	35,028
Financial assets at fair value through profit or loss (note 14)	15,313	—	—	15,313
Structured deposits in a bank	—	30,000	—	30,000
Restricted cash	—	683	—	683
Cash and cash equivalents (note 16)	—	210,632	—	210,632
	15,313	276,343	3,756	295,412

	Other financial liabilities
Liabilities as per consolidated balance sheet	
At 31 December 2013	
Borrowings (note 20)	**93,057**
Trade and other payables	**82,339**
At 31 December 2012	
Borrowings (note 20)	28,151
Trade and other payables	69,706

(All amounts in Renminbi thousands unless otherwise stated)

11. Financial Instruments by Categories (continued)

Company

	Loans and receivables
Assets as per balance sheet	
At 31 December 2013	
Amounts due from subsidiaries (note 13)	**165,120**
Cash and cash equivalents (note 16)	**906**
	166,026
At 31 December 2012	
Amounts due from subsidiaries (note 13)	237,572
Cash and cash equivalents (note 16)	979
	238,551

	Other financial liabilities
Liabilities as per balance sheet	
At 31 December 2013	
Borrowings (note 20)	**27,296**
Amounts due to subsidiaries (note 22)	**2,109**
Trade and other payables (note 22)	**930**
	30,335
At 31 December 2012	
Borrowings (note 20)	28,151
Amounts due to subsidiaries (note 22)	2,175
Trade and other payables (note 22)	930
	31,256

(All amounts in Renminbi thousands unless otherwise stated)

12. Inventories — Group

	2013	2012
Raw materials	**88,293**	100,621
Work in progress	**4,001**	3,645
Finished goods	**25,897**	32,850
	118,191	137,116

The cost of inventories recognised in the consolidated income statement amounted to RMB421,634,000 (2012: RMB343,992,000).

During the year, the write-down of inventories amounted to RMB8,605,000 and has been recognised as cost of goods sold in the income statement.

13. Trade and Other Receivables

	Group		Company	
	2013	2012	**2013**	2012
Trade receivables				
— Third parties	**23,723**	26,510	**—**	—
— Related parties (note 34)	**906**	—	**—**	—
	24,629	26,510	**—**	—
Less: provision for impairment of receivables	**(4,660)**	(4,471)	**—**	—
Trade receivables — net	**19,969**	22,039	**—**	—
Bills receivable (note (b))	**6,726**	1,513	**—**	—
Prepayments	**1,763**	3,633	**—**	—
Other receivables				
— Third parties	**10,978**	9,056	**—**	—
— Related parties (note 34)	**73**	2,420	**—**	—
Amounts due from subsidiaries (note (a))	**—**	—	**165,120**	237,572
	39,509	38,661	**165,120**	237,572

(a) Amounts due from subsidiaries were unsecured, interest free and repayable on demand.

(All amounts in Renminbi thousands unless otherwise stated)

13. Trade and Other Receivables (continued)

(b) As at 31 December 2013 and 2012, bills receivable represent bank acceptance bills.

(c) 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 31 December 2013, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	2013	2012
Less than 30 days	**10,050**	13,641
31–90 days	**7,259**	5,206
91–180 days	**1,629**	1,672
181–365 days	**862**	1,198
Over 365 days	**4,829**	4,793
	24,629	26,510

(d) The Group assesses impairment of trade and other receivables mainly based on their ageing.

The credit quality of trade receivables within credit limit are assessed by reference to historical information about counterparty default rates. As at 31 December 2013, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2013, trade receivables of RMB5,691,000 (2012: RMB5,991,000) are past due, out of which RMB4,660,000 (2012: RMB4,471,000) are impaired. The ageing analysis of these trade receivables is as follows:

	Group	
	2013	2012
Past due but not impaired:		
181–365 days	**862**	1,198
Over 365 days	**169**	322
Impaired:		
Over 365 days	**4,660**	4,471

Trade receivables past due but not impaired relate to a number of customers with no recent history of default. Trade receivables impaired are mainly due from certain customers who are in unexpected difficult economic situations, full amount of the receivables is not expected to be recovered.

The other receivables do not contain impaired assets.

(All amounts in Renminbi thousands unless otherwise stated)

13. Trade and Other Receivables (continued)

(e) The carrying amounts of trade and other receivables, excluding prepayments, are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
RMB	**23,255**	22,441	**—**	—
US$	**12,339**	12,438	**—**	—
HK$	**2,152**	94	**165,120**	237,572
Other currencies	**—**	55	**—**	—
	37,746	35,028	**165,120**	237,572

(f) Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
Balance at 1 January	**4,471**	4,471
Provision for receivable impairment during the year	**284**	—
Receivables written off as uncollectible during the year	**(95)**	—
Balance at 31 December	**4,660**	4,471

(g) The maximum exposure to credit risk is the carrying amounts of trade and other receivables. The Group does not hold any collateral as security.

14. Financial Assets at Fair Value through Profit or Loss — Group

	2013	2012
Listed equity securities in the PRC — stated at market value	**7,641**	15,313

Changes of financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows (note 32).

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains — net" in the consolidated income statement (note 26).

The fair value of all equity securities is based on their current trade prices in an active market.

(All amounts in Renminbi thousands unless otherwise stated)

15. Structured Deposits in a Bank — Group

The amounts represented structured deposits in a commercial bank in the PRC with a guaranteed minimum return and maturity of not more than one year.

16. Cash and Cash Equivalents

	Group		Company	
	2013	2012	**2013**	2012
Cash at bank and in hand	**199,634**	210,632	**906**	979

	Group		Company	
	2013	2012	**2013**	2012
Denominated in:				
RMB	**176,059**	184,021	**—**	—
US$	**20,860**	5,602	**—**	—
HK$	**1,929**	19,385	**906**	979
Other currencies	**786**	1,624	**—**	—
	199,634	210,632	**906**	979

The maximum exposure to credit risk is the carrying amounts of cash and cash equivalents.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

17. Restricted Cash

	Group		Company	
	2013	2012	**2013**	2012
Non-current				
Guarantee deposits for loans (Note(a))	**60,000**	—	**—**	—
Current				
Guarantee deposits for loans (Note(b))	**10,000**	—	**—**	—
Guarantee deposits for bidding	**257**	683	**—**	—
	70,257	683	**—**	—

(a) Amounts represent cash deposited in certain bank as security for the Group's bank borrowing of HKD71,250,000 (equivalent to RMB56,017,000) (2012: nil) (Note 20 (b)).

(b) Amounts represent cash deposited in certain bank as security for the Group's bank borrowing of USD1,600,000 (equivalent to RMB9,744,000) (2012: nil) (Note 20 (c)).

18. Share Capital and Premium

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
Balance at 31 December 2013 and 2012	10,000,000,000	100,000			
Issued and fully paid					
Balance at 1 January 2012 and 31 December 2012	559,992,000	5,600	5,963	170,686	176,649
Balance at 1 January 2013	**559,992,000**	**5,600**	**5,963**	**170,686**	**176,649**
Dividends	**—**	**—**	**—**	**(77,561)**	**(77,561)**
Balance at 31 December 2013	**559,992,000**	**5,600**	**5,963**	**93,125**	**99,088**

(All amounts in Renminbi thousands unless otherwise stated)

19. Other Reserves

(a) Group

	Merger reserve (note (i))	Statutory reserve and enterprise expansion fund (note (ii))	Share option reserve (note(iii))	Capital reserve	Total
Balance at 1 January 2012	136,904	60,347	335	(520)	197,066
Share options granted to employees	—	—	434	—	434
Transfer from retained earnings	—	4,182	—	—	4,182
Balance at 31 December 2012	136,904	64,529	769	(520)	201,682
Balance at 1 January 2013	**136,904**	**64,529**	**769**	**(520)**	**201,682**
Share options granted to employees	**—**	**—**	**477**	**—**	**477**
Transfer from retained earnings	**—**	**6,494**	**—**	**—**	**6,494**
Balance at 31 December 2013	**136,904**	**71,023**	**1,246**	**(520)**	**208,653**

(i) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange pursuant to the reorganisation undertaken by the Group in preparation of the listing of the shares of the Company on the Stock Exchange which has been set out in the Prospectus of the Company dated 20 June 2005 (the "Reorganisation").

(ii) The main business of the Group is conducted by Kongyue Information, which is a foreign investment company based in Xinhui City, the PRC. In accordance with relevant rules and regulations in the PRC, Kongyue Information is required to transfer not less than 10% of its profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the company. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses brought forward from prior years or to increase the capital of the company.

In accordance with relevant rules and regulations in the PRC, the appropriation of enterprise expansion fund is solely determined by the board of directors of the company. The enterprise expansion fund can only be used to increase capital of respective company or to expand production scale of the company upon approval by the relevant authority.

(All amounts in Renminbi thousands unless otherwise stated)

19. Other Reserves (continued)

(a) Group (continued)

	Date of Grant	Exercise price per Share HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2013
New scheme	3/7/2008	0.63	3/7/2008 to 3/7/2011	3/7/2008 to 3/7/2014	**300,000**	**—**	**—**	**—**	**300,000**
	22/7/2011	1.00	22/7/2011 to 22/7/2015	22/7/2011 to 22/7/2017	**5,490,000**	**—**	**—**	**—**	**5,490,000**
	10/12/2013	1.18	10/12/2013 to 10/12/2017	10/12/2013 to 10/12/2019	**—**	**5,600,000**	**—**	**—**	**5,600,000**
					5,790,000	**5,600,000**	**—**	**—**	**11,390,000**
			Exercisable at the end of the year		**—**	**—**	**—**	**—**	**3,045,000**
			Weighted average exercise price		**0.98**	**1.18**	**—**	**—**	**1.08**

	Date of Grant	Exercise price per Share HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012
New scheme	3/7/2008	0.63	3/7/2008 to 3/7/2011	3/7/2008 to 3/7/2014	300,000	–	–	–	300,000
	22/7/2011	1.00	22/7/2011 to 22/7/2015	22/7/2011 to 22/7/2017	5,490,000	–	–	–	5,490,000
					5,790,000	–	–	–	5,790,000
			Exercisable at the end of the year		–	–	–	–	1,673,000
			Weighted average exercise price		0.98	–	–	–	0.98

(1) Share options are granted to certain employees. The exercise price of the granted options approximates to the average of the closing prices for the five business days immediately before the grant date.

(All amounts in Renminbi thousands unless otherwise stated)

19. Other Reserves (continued)

(a) Group (continued)

(2) The fair value of share options granted in 2013 determined using the "binomial valuation model" was RMB1,855,000 (equivalent to HK$2,353,000). The significant inputs into the model were weighted average share prices of HK$1.16 at the grant date, exercise price shown above, expected volatility of 85.62%, expected dividend yield of 14.56%, and expected share option life of 6 years and an annual risk-free interest rate of 1.455%.

(b) Company

	Contributed surplus (note (i))	Share option reserve (note (a)(iii))	Total
Balance at 1 January 2012	211,719	335	212,054
Share option granted to employees	—	434	434
Balance at 31 December 2012	211,719	769	212,488
Balance at 1 January 2013	**211,719**	**769**	**212,488**
Share option granted to employees	**—**	**477**	**477**
Balance at 31 December 2013	**211,719**	**1,246**	**212,965**

(i) Contributed surplus of the Company represents the difference between the costs of investments in subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

(All amounts in Renminbi thousands unless otherwise stated)

20. Borrowings — Group and Company

	Group		Company	
	2013	2012	**2013**	2012
Non-current				
Unsecured bank borrowings (Note (a))	**(27,296)**	(28,151)	**(27,296)**	(28,151)
Secured bank borrowings (Note (b))	**(56,017)**	—	**—**	—
Current				
Secured bank borrowings (Note (c))	**(9,744)**	—	**—**	—
Balance at 31 December 2013	**(93,057)**	(28,151)	**(27,296)**	(28,151)

(a) Amount represents bank borrowings of HK$34,720,000 (equivalent to RMB27,296,000) and mature in two years, which bear an interest of 2% per annum over one-month HIBOR.

(b) Amount represents bank borrowings of HK$71,250,000 (equivalent to RMB56,017,000), which bear an interest of 1.8% per annum over one-month HIBOR, mature in two years and are secured by the Group's bank deposit of RMB60,000,000.

(c) Amount represents bank borrowings of USD1,600,000 (equivalent to RMB9,744,000), which bear an interest of 1.34% per annum, mature in two months and are secured by the Group's deposit in a bank of RMB10,000,000.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The Group has the following undrawn borrowing facilities:

	As at	
	31 December 2013	31 December 2012
Floating rate:		
— expiring within one year	**74,743**	27,372

21. Deferred Income Tax — Group

	2013	2012
Deferred income tax asset to be recovered after more than 12 months	**(104)**	(233)
Deferred income liabilities to be payable within 12 months	**2,429**	3,815
Deferred tax liabilities — net	**2,325**	3,582

(All amounts in Renminbi thousands unless otherwise stated)

21. Deferred Income Tax — Group (continued)

The gross movement on the deferred income tax is as follows:

	2013	2012
Balance at 1 January	**3,582**	3,786
Credit to the consolidated income statement	**(1,257)**	(204)
Balance at 31 December	**2,325**	3,582

The movement in deferred income tax liabilities and assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities	Temporary difference between carrying amounts and tax base of inventories	Difference of fair value of financial assets at fair value through profit or loss over the tax bases	Total
At 1 January 2012	4,316	—	4,316
(Credited)/charge to the consolidated income statement	(623)	122	(501)
At 31 December 2012	3,693	122	3,815
At 1 January 2013	**3,693**	**122**	**3,815**
Credited to the consolidated income statement	**(1,271)**	**(115)**	**(1,386)**
At 31 December 2013	**2,422**	**7**	**2,429**

(All amounts in Renminbi thousands unless otherwise stated)

21. Deferred Income Tax — Group (continued)

Deferred income tax assets	Difference of carrying amount of equipment over the tax bases	Difference of fair value of financial assets at fair value through profit or loss over the tax bases	Total
At 1 January 2012	(297)	(233)	(530)
Charged to the consolidated income statement	64	233	297
At 31 December 2012	(233)	—	(233)
At 1 January 2013	**(233)**	**—**	**(233)**
(Credit)/charge to the consolidated income statement	**129**	**—**	**129**
At 31 December 2013	**(104)**	**—**	**(104)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB7,175,000 (2012: RMB11,453,000) in respect of the tax losses amounting to approximately RMB29,501,000 (2012: RMB46,493,000). As at 31 December 2013, the tax losses of certain group companies amounting to RMB27,612,000 and RMB1,889,000 will be expired within 2 years and from 3 to 5 years, respectively.

(All amounts in Renminbi thousands unless otherwise stated)

22. Trade and Other Payables

	Group		Company	
	2013	2012	**2013**	2012
Trade payables				
— Third parties	**51,932**	45,332	**—**	—
— An associate	**1,077**	1,108	**—**	—
— Related parties (note 34)	**2,742**	2,352	**—**	—
	55,751	48,792	**—**	—
Amounts due to subsidiaries	**—**	—	**2,109**	2,175
Other payables to third parties	**44,176**	29,813	**—**	—
Dividends payable	**975**	975	**930**	930
Advances from customers	**2,319**	3,346	**—**	—
	103,221	82,926	**3,039**	3,105

At 31 December 2013, the ageing analysis of the trade payables, including amounts due to related parties of trading nature, were as follows:

	2013	2012
Less than 30 days	**23,843**	25,300
31–90 days	**15,928**	11,049
91–180 days	**8,761**	2,163
181–365 days	**2,482**	4,429
Over 365 days	**4,737**	5,851
	55,751	48,792

The carrying amounts of trade and other payables and amounts due to subsidiaries are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
RMB	**74,359**	53,128	**—**	—
US$	**10,137**	15,899	**—**	—
HK$	**9,022**	5,498	**3,039**	3,105
Other currencies	**7,384**	5,055	**—**	—
	100,902	79,580	**3,039**	3,105

(All amounts in Renminbi thousands unless otherwise stated)

23. Other Income

	2013	2012
Interest income of bank deposits	**7,684**	5,909
Incentive subsidy	**831**	501
Repair and maintenance service income — net	**2,700**	2,563
	11,215	8,973

24. Expenses by Nature

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	2013	2012
Depreciation of property, plant and equipment and amortisation of land use rights and intangible assets (notes 6, 7 and 8)	**8,600**	8,765
Raw materials and consumables recognised in cost of goods sold and expenses	**391,891**	323,007
Provision for impairment of receivables	**189**	521
Write-off of other receivables	**585**	—
Employee benefit expenses (note 25)	**66,144**	49,832
— Attributable to cost of goods sold	**23,384**	14,970
— Attributable to selling and marketing costs	**8,450**	7,053
— Attributable to administrative expenses	**24,521**	20,113
— Attributable to research and development expenses	**9,789**	7,696
Operating leases — building	**2,053**	2,010
Transportation expenses	**6,641**	5,577
Auditor's remuneration	**1,632**	1,300
Advertising and promotion fees	**4,065**	4,389
Others	**32,122**	27,828
	513,922	423,229

(All amounts in Renminbi thousands unless otherwise stated)

25. Employee Benefit Expenses

	2013	2012
Wages and salaries	**56,767**	41,778
Share options granted to employees (note 19(a)(iii))	**477**	434
Staff welfare and insurance	**5,448**	4,428
Pension costs — defined contribution plans	**3,452**	3,192
	66,144	49,832

(a) Emoluments of directors and senior management

The remuneration of directors of the Company for the year ended 31 December 2013 is set out below:

	Fees	Salaries	Bonus	Inducement fees	Other benefits	Contribution to pension scheme	Compensation for loss of office	Share options	Total
Mr. Au Pak Yin	**208**	**415**	**—**	**—**	**71**	**—**	**—**	**—**	**694**
Mr. Au Kwok Lun									
(Chief executive officer)	**208**	**973**	**—**	**—**	**96**	**12**	**—**	**—**	**1,289**
Mr. Ou Guo Liang	**208**	**225**	**—**	**—**	**96**	**12**	**—**	**—**	**541**
Mr. Lai Ming, Joseph*	**208**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**208**
Mr. Meng Yan*	**104**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**104**
Mr. Xu Guangmao*	**104**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**104**
Mr. Yeung Kwok Keung**	**208**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**208**
	1,248	**1,613**	**—**	**—**	**263**	**24**	**—**	**—**	**3,148**

The remuneration of directors of the Company for the year ended 31 December 2012 is set out below:

	Fees	Salaries	Bonus	Inducement fees	Other benefits	Contribution to pension scheme	Compensation for loss of office	Share options	Total
Mr. Au Pak Yin	202	433	–	–	–	–	–	–	635
Mr. Au Kwok Lun									
(Chief executive officer)	202	512	–	–	586	10	–	–	1,310
Mr. Ou Guo Liang	202	339	–	–	–	10	–	–	551
Mr. Lai Ming, Joseph*	212	–	–	–	–	–	–	–	212
Mr. Meng Yan*	106	–	–	–	–	–	–	–	106
Mr. Xu Guangmao*	106	–	–	–	–	–	–	–	106
Mr. Yeung Kwok Keung**	202	–	–	–	–	–	–	–	202
	1,232	1,284	–	–	586	20	–	–	3,122

* Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao are independent non-executive directors of the Company.

** Mr. Yeung Kwok Keung is assigned as independent non-executive director of the Company in October 2013.

(All amounts in Renminbi thousands unless otherwise stated)

25. Employee Benefit Expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: three) out of the five highest paid individuals during the year are as follows:

	2013	2012
Salaries and other benefits	**3,138**	2,180
Share options	**49**	47
Retirement scheme contributions	**143**	109
	3,330	2,336

The emoluments fell within the following bands:

	2013	2012
Nil to RMB1,000,000	**2**	3
RMB1,000,000 to RMB2,000,000	**1**	0

26. Other Gains — Net

	2013	2012
(Losses)/gains on financial assets at fair value through profit or loss — net	**(478)**	3,174
Dividend income of financial assets at fair value through profit or loss	**451**	334
Penalty charged to a supplier	**—**	3,962
Gains from disposal of machinery and equipment	**1,182**	—
Foreign exchange gains — net	**2,158**	1,249
	3,313	8,719

(All amounts in Renminbi thousands unless otherwise stated)

27. Finance Costs — Net

	2013	2012
Interest expenses on bank borrowings	**(1,800)**	(596)
Exchange gains on bank borrowings	**1,574**	98
	(226)	(498)

28. Income Tax Expenses

	2013	2012
Current income tax expenses		
— Hong Kong profits tax (note (a))	**(933)**	(837)
— PRC corporate income tax (note (b))	**(12,296)**	(7,435)
— PRC dividend withholding tax (note (c))	**(2,000)**	(2,500)
	(15,229)	(10,772)
Deferred income tax expenses	**1,257**	204
	(13,972)	(10,568)

The income tax on the Group's profit before taxation differs from the theoretical amount that would arise using the enacted tax rate of the home countries of the group entities as follows:

	2013	2012
Profit before tax	**81,691**	50,835
Tax calculated at tax rates applicable to profits in the respective entities of the Group	**(12,375)**	(7,749)
Tax losses for which no deferred income tax asset was recognised	**(47)**	(242)
Utilisation of previously unrecognised tax losses	**1,165**	81
Tax effect of share of losses of an associate	**—**	(1)
Expenses not deductible for tax purposes	**(715)**	(157)
Income tax	**(11,972)**	(8,068)
PRC withholding income tax	**(2,000)**	(2,500)
	(13,972)	(10,568)

28. Income Tax Expenses (continued)

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2013 (2012: 16.5%).

(b) PRC corporate income tax

The main business of the Group is conducted by Kongyue Information, which is a foreign investment company based in Xinhui City, the PRC. The corporate income tax (the "CIT") of Kongyue Information is provided for on the basis of its profit reported in the PRC statutory financial statements, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT rate is 25%. In addition, the CIT Law provides, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). Kongyue Information was qualified as 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 (2012: 15%). The effective CIT rate of other group entities in the PRC is 25% (2012: 25%).

(c) 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 year, the Group has made provision for withholding income tax of RMB2,000,000 (2012: RMB2,500,000). The Group has not made provision of deferred income tax of RMB3,395,000 (31 December 2012: RMB2,632,000) for the unremitted earnings of the PRC subsidiaries of RMB67,890,000 (31 December 2012: RMB52,633,000) as the Group does not have a plan to distribute these earnings out of the PRC.

(d) 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 BVI are incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from income tax in the BVI.

29. Retained Earnings of the Company

	2013	2012
Balance at 1 January	**30,678**	31,749
Profit for the year	**45,720**	47,668
Dividend (note 31)	**(39,763)**	(48,739)
Balance at 31 December	**36,635**	30,678

30. Earnings Per Share

— Basic

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

	2013	2012
Profit attributable to the shareholders of the Company (RMB'000)	**67,706**	40,260
Weighted average number of ordinary shares in issue (shares in thousands)	**559,992**	559,992
Basic earnings per share (RMB per share)	**0.121**	0.072

— Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2013	2012
Profit attributable to the shareholders of the Company (RMB'000)	**67,706**	40,260
Weighted average number of ordinary shares in issue (shares in thousands)	**559,992**	559,992
Adjustments for share options (shares in thousands)	**102**	11
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	**560,094**	560,003
Diluted earnings per share (RMB per share)	**0.121**	0.072

(All amounts in Renminbi thousands unless otherwise stated)

31. Dividends

	2013	2012
Interim dividend (note (a))	**20,036**	20,616
Proposed final dividend	**35,000**	19,727
Proposed special dividend	**—**	77,561
	55,036	117,904

(a) Interim dividends in respect of six months ended 30 June 2013 of HK$0.045 per ordinary share (six months ended 30 June 2012: HK$0.045 per ordinary share) totaling approximately HK$25,200,000 (equivalent to RMB20,036,000) have been declared out of retained earnings of the Company at the board of directors' meeting on 22 August 2013 (six months ended 30 June 2012: RMB20,616,000).

(b) At a board of directors' meeting held on 21 March 2014, the directors of the Company proposed a final dividend for the year ended 31 December 2013 of HK$0.079 per ordinary share approximately HK$44,422,000 (equivalent to RMB35,000,000) out of retained earnings of the Company. These proposed dividends have not been reflected as dividends payable in the consolidated financial statements for the year ended 31 December 2013, but will be reflected as dividends distribution for the year ending 31 December 2014.

A final dividend in respect of 2012 of HK$0.044 per ordinary share approximately HK$24,640,000 (equivalent to RMB19,727,000) have been declared out of retained earnings of the Company and a special dividend of HK$0.173 per ordinary share approximately HK$96,879,000 (equivalent to RMB77,561,000) have been declared out of share premium of the Company, respectively, in the Company's Annual General Meeting on 6 May 2013, which have been paid in 2013.

(All amounts in Renminbi thousands unless otherwise stated)

32. Cash Generated from Operating Activities

	2013	2012
Profit for the year	**67,719**	40,267
Adjustments for:		
— Income tax expenses	**13,972**	10,568
— Depreciation of property, plant and equipment	**8,183**	8,331
— Amortisation of land use rights	**289**	289
— Amortisation of intangible assets	**128**	145
— Gain from disposal of property, plant and equipment	**(1,182)**	60
— Interest income	**(7,684)**	(5,909)
— Share options granted to employees	**477**	434
— Finance costs — net	**226**	498
— Exchange losses on cash and cash equivalents	**335**	10
— Share of loss from an associate	**2**	5
	82,465	54,698
Changes in working capital:		
— Inventories	**18,925**	42,898
— Trade and other receivables	**193**	30,584
— Restricted cash	**426**	(97)
— Financial assets at fair value through profit or loss	**7,672**	(3,430)
— Trade and other payables	**23,548**	(14,022)
Cash generated from operations	**133,229**	110,631

33. Commitments — Group

Operating lease commitments

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

	2013	2012
No later than 1 year	**1,608**	1,894
Later than 1 year and not later than 5 years	**500**	450
	2,108	2,344

34. Related-party Transactions

(a) Name and relationship with related parties

Name	Relationship
Au Family	Beneficial owner of the Company including Mr. Au Pak Yin, Ms. Tai Noi Kit, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Ms. Ou Ri Ai
Close Au Family Members	Close family members of Au Family
Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision")	Company controlled by Au Family
Jiangmen Kong Yue Information Products Import Export Limited ("KY Import/Export")	Company beneficially owned by Au Family and Close Au Family Members
Kong Yue Industrial Park (Xinhui) Limited ("Industrial Park")	Company beneficially owned by Mr. Au Pak Yin and Close Au Family Members
Guangdong Kong Yue Zhongding Rubber Component Limited ("Guangdong Zhongding")	Company under significant influence of Au Family
Guang Dong Jotech Kong Yue Yida Precision Industries Limited ("Jiangmen Yida")	Company under significant influence of Au Family

(All amounts in Renminbi thousands unless otherwise stated)

34. Related-party Transactions (continued)

(b) The following significant transactions were carried out with related parties:

	2013	2012
(i) Purchase of goods (note (b-1))		
— Guangdong Precision	**17,633**	11,730
— Guangdong Zhongding	**5,667**	7,834
— Jiangmen Yida	**7,485**	10,376
	30,785	29,940
(ii) The remuneration of executive directors of the Company and other members of key management of the Group during the year was as follows:		
— Salary and other short-tem employee benefits	**4,054**	4,149
— Share options	**91**	87
— Retirement scheme contribution	**50**	48
	4,195	4,284
(iii) Year-end balances with related parties (note (b-2))		
Trade and other receivables from related parties (note 13)		
— KY Import/Export	**906**	—
— Industrial Park	**73**	503
— Guangdong Precision	**—**	1,917
	979	2,420
Trade payables to related parties (note 22)		
— Guangdong Zhongding	**758**	1,025
— Jiangmen Yida	**814**	871
— Guangdong Precision	**1,170**	—
— KY Import/Export	**—**	456
	2,742	2,352

Notes:

(b-1) The above purchase transactions are negotiated with related parties in a normal course of business.

(b-2) All balances with related parties are unsecured and interest free; balances due from KY Import/Export and Industrial Park are repayable on demand, balances due to other related parties are repayable within 45 days.

35. Ultimate Holding Company

The directors of the Company regard Kytronics Holdings Limited, a company incorporated in the BVI, as the ultimate holding company of the Group.

Five-year Financial Summary

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated balance sheets

	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
ASSETS					
Non-current assets					
Property, plant and equipment	**88,725**	86,760	84,127	88,843	89,470
Land use right	**9,455**	9,744	10,033	10,322	10,611
Intangible assets	**389**	517	662	807	936
Interest in associates	**95**	92	97	161	179
Available-for-sale financial assets	**4,480**	3,756	500	500	500
Deferred income tax assets	**—**	—	—	61	4,264
Restricted cash	**60,000**	—	—	—	—
	163,144	100,869	95,419	100,694	105,960
Current assets					
Inventories	**118,191**	137,116	180,014	137,499	159,532
Trade and other receivables	**39,509**	38,661	66,972	62,216	74,100
Financial assets at fair value through profit or loss	**7,641**	15,313	11,883	18,688	21,790
Deposits in a financial institution	**31,500**	30,000	—	—	—
Restricted cash	**10,257**	683	586	72,532	—
Cash and cash equivalents	**199,634**	210,632	170,116	257,483	184,478
	406,732	432,405	429,571	548,418	439,900
Total assets	**569,876**	533,274	524,990	649,112	545,860
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	**99,088**	176,649	176,649	224,428	261,455
Other reserves	**208,653**	201,682	197,066	193,879	191,704
Retained earnings/(accumulated losses)					
— Proposed final dividend	**35,000**	19,911	28,123	—	—
— Retained earnings/(accumulated losses)	**23,019**	16,659	21,108	25,855	(465)
	365,760	414,901	422,946	444,162	452,694
Non-controlling interests	**44**	31	24	15,982	15,407
Total equity	**365,804**	414,932	422,970	460,144	468,101
LIABILITIES					
Non-current liabilities					
Borrowings	**83,313**	28,151	—	—	—
Deferred income tax liabilities	**2,325**	3,582	3,786	—	—
	85,638	31,733	3,786	—	—
Current liabilities					
Trade and other payables	**103,221**	82,926	96,948	120,399	77,652
Current income tax liabilities	**5,469**	3,683	1,286	750	107
Borrowings	**9,744**	—	—	67,819	—
	118,434	86,609	98,234	188,968	77,759
Total liabilities	**204,072**	118,342	102,020	188,968	77,759
Total equity and liabilities	**569,876**	533,274	524,990	649,112	545,860
Net current assets	**288,298**	345,796	331,337	359,450	362,141
Total assets less current liabilities	**451,442**	446,665	426,756	460,144	468,101

Five-year Financial Summary (continued)

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated income statement

	2013	2012	2011	2010	2009
Revenue	**581,313**	456,875	559,600	467,491	456,690
Cost of goods sold	**(419,807)**	(342,159)	(421,066)	(361,975)	(368,221)
Gross profit	**161,506**	114,716	138,534	105,516	88,469
Other income	**11,215**	8,973	7,704	6,657	7,136
Selling and marketing costs	**(30,140)**	(30,370)	(30,816)	(25,680)	(30,677)
Administrative expenses	**(43,048)**	(35,288)	(51,179)	(45,296)	(48,320)
Other gains/(losses) — net	**3,313**	8,719	502	(3,862)	2,782
Operating profit/(loss)	**81,919**	51,338	64,745	37,335	19,390
Finance (costs)/income — net	**(226)**	(498)	985	1,220	(210)
Share of losses of associates and impairment charge	**(2)**	(5)	(64)	(18)	(291)
Profit/(loss) before income tax	**81,691**	50,835	65,666	38,537	18,889
Income tax expenses	**(13,972)**	(10,568)	(10,102)	(7,840)	(3,633)
Profit for the year	**67,719**	40,267	55,564	30,697	15,256
Attributable to:					
Shareholders of the Company	**67,706**	40,260	55,042	28,463	13,733
Non-controlling interests	**13**	7	522	2,234	1,523
	67,719	40,267	55,564	30,697	15,256
Basic and diluted earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)	**0.121**	0.072	0.098	0.051	0.024

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