Jolimark Holdings Limited
映美控股有限公司

(Incorporated In The Cayman Islands With Limited Liability)

Stock Code: 2028

Annual Report **2012**

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Yeung Kwok Keung

Independent Non-Executive Directors

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Li Ho Cheong *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Au Kwok Lun
Li Ho Cheong *CPA, FCCA*

AUDIT COMMITTEE

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

AUDITOR

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

STOCK CODE

2028

WEBSITE

www.jolimark.com

Chairman's Statement

To all shareholders,

During the year, the Group recorded revenue of approximately RMB456,875,000, representing a decrease of approximately 18% over 2011. During the year, the Group generated profit attributable to shareholders of the Company of approximately RMB40,260,000, representing a drop of approximately 27% compared to 2011. This is mainly attributable to the weak domestic demand and the significant decline in the sales of own-brand products when compared with last year.

In 2012, China's domestic economic growth continued to slow down and the European debt crisis and unstable global economic environment lingered. Besides, China has also slackened the pace of implementing tax control measures, which reduced the demand of the Group's tax control printer products in the PRC market and led to a decline in sales. In the second half year, the government made timely pre-adjustments and launched loose monetary and fiscal policies successively. The PRC government also continued to further promote online invoices and broadened the range and speeded up the pace of the Value Added Tax reform. It is expected that the printer market will gradually regain its strength in 2013. Looking forward to 2013, the Group will launch our newly developed product, "喜悦之星". It is characterized as a functional and high-quality product with high price/performance ratio, which will substantially enhance the market competitiveness of our products. Invoice ink-jet printers and real-object projectors, which were developed simultaneously, will also be introduced to the market in 2013 and are expected to generate revenue to the Group. I am full of confidence that the Group is capable of coping with various challenges effectively and realizing further business development.

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, the management team, our staff and customers for their great support to the Group over the year. With the great effort and dedication of our spirited staff, the Group is confident that it will be able to continuously deliver long-term and attractive returns to our shareholders.

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

Hong Kong, 21 March 2013

Management's Discussion and Analysis

BUSINESS REVIEW

Printer and Tax Control Equipment Business

The revenue of the printer and tax control equipment business of the Group for the year ended 31 December 2012 decreased by approximately 25% from the previous year to approximately RMB342,099,000, representing approximately 75% of the revenue of the Group. The decrease in revenue was mainly attributable to the relatively significant decline in the sales generated from the PRC market as compared with that of the previous year due to the anaemic domestic demand.

Other Electronic Products Manufacturing Business

The revenue of the other electronic products manufacturing business of the Group increased by approximately 11% from the previous year to approximately RMB114,776,000, representing approximately 25% of the revenue of the Group.

FUTURE BUSINESS OUTLOOK

In 2012, China's domestic economic growth continued to slow down, which coupled with the European debt crisis and the unstable global economy, resulted in the pessimistic market expectation towards future economic growth. China has also slackened the pace of implementing tax control measures, which reduced the demand of the Group's tax control printer products in the PRC market and led to a decline in sales. The Central Committee and the State Council of the PRC have made timely pre-adjustments and micro-adjustments, as well as launched loose monetary and fiscal policies successively according to the economic environment. Such measures have already had a positive effect in stabilizing economic growth. Currently, the economy has shown initial signs of stabilization. The Group expects the printer market to gradually regain its strength in 2013. Nevertheless, the Group still expects to encounter numerous challenges in 2013.

On 13 July 2012, the State Administration of Taxation of the PRC promulgated the "Administrative Measures of Online Invoices" (Consultation Draft) (《網絡發票管理辦法》(徵求意見稿)), explicitly stating the intention of the State to further promote online invoices.

In the same month, in accordance with the instruction of the Cai Shui Circular [2012] No. 71 (財税 [2012] 71號文), the pilot reform on value-added tax was extended to 8 provinces and cities, including Beijing. Such pilot reform program on value-added tax is expected to be extended to other industries and regions in China in 2013. The promotion of online invoice and the acceleration of reform on value-added tax may become the driving forces for the recovery in demand of printers and tax control equipment.

Management's Discussion and Analysis (continued)

Looking forward to 2013, the Group will launch our newly developed product, "喜悦之星". The product was developed based on years of research and development and market experiences in matrix printers, and is characterized as a functional and high-quality product with outstanding price/performance ratio. It is expected that "喜悦之星" will substantially enhance the market competitiveness of our products. Invoice ink-jet printers will also be introduced in 2013. It will be unique to the market, which can be used for various applications, such as invoice and hospitals. The separable ink cartridges and inkjet printer heads and advanced technologies, such as fast-drying inks, also render "喜悦之星" best of its kind. We continue to improve our mini printers product line which starts to gather competitive strength. For real-object projectors, the marketing and promotion system will be further improved, and the unique functions of the products are gaining recognition from the users gradually. It is expected that real-object projectors will contribute revenue to the Group in 2013. Besides, the Group will continue to strive to improve operating efficiency, strengthen internal management, and trim inventory and receivables. At the same time, we will pay closer attention to the introduction of the State's tax control and tax reform policies, in order to cater for the latest market development. We will continue to conduct research and development on printers and tax control equipment which are more cost competitive and more in line with the demand in the PRC market while improving the quality of our existing products. In respect of other electronic products manufacturing business (EMS), the Group will continue to focus on the small and medium overseas customers specializing in optical, mechanical and electrical integration products, in order to expand to and develop new businesses with higher gross profit margin.

FINANCIAL REVIEW

Results Summary

In 2012, the Group recorded a turnover of approximately RMB456,875,000 for the whole year, representing a decrease of approximately 18% from the previous year, whereas gross profit margin increased to approximately 25.1% from approximately 24.8% of last year.

During the year, the profit attributable to the shareholders of the Company was approximately RMB40,260,000 (2011: RMB55,042,000), representing a decrease of approximately 27% over last year. The basic earnings per share was approximately RMB0.072 (2011: RMB0.098), representing a decrease of approximately RMB0.026 over last year. The change in results was mainly attributed to the relatively significant decline in the sales generated from the PRC market as compared with that of the previous year due to the weak domestic demand.

ANALYSIS ON SALES AND GROSS PROFIT

During the year, the revenue of the printer and tax control equipment business was the largest contributor to the revenue of the Group, which amounted to approximately RMB342,099,000 and accounted for approximately 75% of the total revenue of the Group, whereas the revenue of other electronic products manufacturing amounted to approximately RMB114,776,000 and accounted for approximately 25% of the revenue of the Group.

Comparing with 2011, the revenue from the printer and tax control equipment business reduced by approximately 25%, whereas revenue from the other electronic products manufacturing business increased by approximately 11%. The Group's gross profit margin increased from approximately 24.8% of last year to approximately 25.1% of this year. The slight increase in gross profit margin was mainly due to the change of our sales product portfolio.

CAPITAL EXPENDITURE

For the year ended 31 December 2012, the capital expenditure of the Group amounted to approximately RMB11,024,000 (2011: RMB5,728,000), which mainly comprised of purchase of machinery and equipment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the total assets of the Group amounted to approximately RMB533,274,000 (2011: RMB524,990,000), shareholders' fund amounted to approximately RMB414,901,000 (2011: RMB422,946,000), non-controlling interests amounted to approximately RMB31,000 (2011: RMB24,000) and current liabilities amounted to approximately RMB86,609,000 (2011: RMB98,234,000). The current ratio of the Group was approximately 5.0 (2011: 4.4).

As at 31 December 2012, the cash and cash equivalents, deposits in a financial institution and restricted cash amounted to approximately RMB241,315,000 (2011: RMB170,702,000), whereas the bank loan of the Group amounted to approximately RMB28,151,000 (2011: nil). The Group was in a net cash position after setting off the loan amounts. The gearing ratio* of the Group was approximately 5.3% as at 31 December 2012 (2011: nil).

As at 31 December 2012, the Group possessed financial assets at fair value through profit and loss (equity securities traded in China A shares stock exchange) of approximately RMB15,313,000 (2011: RMB11,883,000) and outstanding bank acceptance bills of approximately RMB1,513,000 (2011: RMB16,617,000).

* Gearing ratio = Borrowings/Total Assets

ACQUISITION

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2012.

STAFF

As at 31 December 2012, the Group employed 1,160 staff in total, most of them were based in the PRC except for 13 employees who were employed in Hong Kong and overseas. The Group implemented its remuneration policy and bonus and share option scheme based on the business results and individual performance of the staff. In addition, fringe benefits, such as insurance, medical allowance and pension, were provided to ensure the competitiveness of the Group.

PROPOSED FINAL AND SPECIAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended a final dividend for 2012 of HK4.4 cents per share and special dividend for 2012 of HK17.3 cents per share to shareholders whose names appear on the register of members on Wednesday, 22 May 2013. The final dividend will be paid on Friday, 21 June 2013.

The annual general meeting of the Company will be held on Monday, 6 May 2013. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 2 May 2013 to 6 May 2013, 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 30 April 2013.

For determining entitlement to the proposed final and special dividend, the register of members of the Company will be closed from 20 May 2013 to 22 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final and special dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 16 May 2013.

AUDIT COMMITTEE

The audit committee of the Company was established on 13 June 2005 in accordance with Appendix 14 to the Listing Rules. The existing committee comprises Mr. Lai Ming, Joseph as the chairman, Mr. Meng Yan and Mr. Xu Guangmao, all are Independent Non-Executive Directors. For the year ended 31 December 2012, 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 Company for the year ended 31 December 2012.

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 2012.

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 2012 is set out in the Management Discussion & Analysis.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 28.

Interim dividend for 2012 of HK4.5 cents was paid by the Company. The directors of the Company now recommend a final dividend of HK4.4 cents and special dividend of HK$17.3 cents per share (2011: final dividend of HK6.2 cents) in respect of the year ended 31 December 2012.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 18 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 17 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2012, 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 RMB201,364,000.

Report of the Directors (continued)

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-rate basis to existing shareholders.

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

During the year ended 31 December 2012, 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 2012	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2012	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)
Total			5,790,000	—	—	—	**5,790,000**	

Notes:

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

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

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.

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

Non-Executive Director

Mr. Yeung Kwok Keung

Independent Non-Executive Directors

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

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 Pak Yin, Mr. Ou Guo Liang and Mr. Lai Ming, Joseph will hold office only until the Annual General Meeting (the "AGM") and, being eligible, will offer themselves for re-election at the AGM.

Mr. Lai Ming, Joseph and Mr. Meng Yan are Independent Non-Executive Directors and were re-appointed for another three-year term on 13 June 2011.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has renewed their service agreement with the Company for another term of 3 years commencing from 13 June 2011. Save as above, none of the Directors has entered into a service contract with the Company which 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 form 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 2012, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") which are required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number of shares held(Note 1)
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation(Note 2)	394,285,533 shares (L)
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner	2 ordinary shares (L)
Mr. Au Kwok Lun	Kytronics	Beneficial owner	1 ordinary share (L)
Mr. Ou Guo Liang	Kytronics	Beneficial owner	1 ordinary share (L)

Notes:

1. The letter "L" denotes the Director's long position in such securities.

2. 394,285,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO.

3. Each of Mr. Au and his spouse, Ms Tai Noi Kit is the beneficial owner of an ordinary share in Kytronics.

Save as disclosed above, as at 31 December 2012, none of the Directors or Chief Executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2012, as far as is known to the Directors and the Chief Executive of the Company, the following person (not being a Director or Chief Executive of the Company) had an interest of short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	**Company/Name of associated corporation**	**Capacity**	**Number of shares held**	**Percentage of total issued share capital** [Note 1]
Kytronics	Company	Beneficial Owner	394,285,533 [Note 2]	70.41%(L)
Tai Noi Kit	Kytronics	Interest in controlled corporation	394,285,533 [Note 2]	70.41%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	44,960,000 [Note 3]	8.03%(L)

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. 394,285,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 20% by each of Ms. Tai Noi Kit ("Ms. Tai") and her spouse Mr. Au. Ms. Tai is therefore deemed to be interested in these shares by virtue her interests in Kytronics pursuant to Part XV of the SFO.

3. The 44,960,000 shares were held by Jayhawk Private Equity Fund II. L.P., which is wholly owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the Chief Executive of the Company are not aware of any person (other than a Director or Chief Executive of the Company) who, as at 31 December 2012, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 36% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 24% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 27% 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 services	(i)	489
(II)	Supply agreements with Guangdong Kong Yue Precision Industry ("Guangdong Precision")	(ii)	11,730
(III)	Supply agreement with Guang Dong Jotech Kong Yue Precision Industry Limited ("Jiangmen Yida")	(iii)	10,376

Notes:

(i) The service fee charged by KY Import/Export in relation to materials imported are at a mark-up equal to approximately 1% contract price of materials; KY Import/Export is wholly owned by Mr. Au, Ms. Tai, Mr. Au Kwok Lun, Ms. Ou Ri Ai and Mr. Ou Guo Liang and their associates.

(ii) Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information") and Jiangmen Kong Yue Jolimark Information Technology Limited ("Kongyue Jolimark", a subsidiary of the Company) and Guangdong Precision entered into two agreements on 17 December 2010, respectively, (collectively referred to as the "Precision Agreements") on normal commercial terms and in their respective ordinary course of business. Pursuant to the Precision Agreements, 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.

(iii) Kongyue Information and Jiangmen Yida entered into an agreement on 17 December 2010 on normal commercial terms and in their respective ordinary course of business, pursuant to which Jiangmen Yida agreed to supply metal stamped parts to Kongyue Information from time to time as requested by Kongyue Information.

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 Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float throughout the year ended 31 December 2012.

SUBSEQUENT EVENTS

There have been no material events which took place subsequent to 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the year ended 31 December 2012 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

For the year ended 31 December 2012, except for the chairman of the board who has not attended the annual general meeting of the Company in accordance with the requirements of code provision E.1.2 of the Corporate Governance Code due to business reason, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

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 2013

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Au Pak Yin, aged 67, the chairman of the Company and a founder of the Group, 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, Mr. Au began to engage in the trading of printers in the PRC. In 1997, Mr. Au and his family members commenced 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. Mr. Au is the father of Mr. Au Kwok Lun and Mr. Ou Guo Liang.

Mr. Au Kwok Lun, aged 41, an executive Director and the chief executive officer of the Company, is primarily in charge of strategy execution and overall management of the Group. Mr. Au obtained a bachelor degree of arts in technical English from Huazhong University of Science & Technology in 1994 and a bachelor degree of business administration 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 13 years of operational experience in 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 37, the deputy general manager in sales of the Company, is responsible for distribution business in the PRC. He has over 13 years of experience in sales and marketing. Mr. Ou obtained a bachelor degree of economics 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. Mr. Ou is the son of Mr. Au Pak Yin and the brother of Mr. Au Kwok Lun.

Non-Executive Director

Mr. Yeung Kwok-Keung, aged 65, was appointed a non-executive director of the Company on 1st August 2011. He has been involved in IT, logistics and venture capital investment until his retirement in 2008. A Distinguished Fellow of the Hong Kong Computer Society, Mr. Yeung had also served as its President. He was also Chairman of the IT Committee of the Hong Kong SAR Government.

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

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

Biographical Details of Directors and Senior Management (continued)

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 68, 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 and the Chartered Institute of Management Accountants ("CIMA") and the HK Institute of Directors.

He co-founded the HK Centre of CIMA (then known as the Institute of Cost and Management Accountants) in 1973 and was the President in 1974/75 and 1979/80. He was the President of the HKICPA in 1986.

Until retirement in 2004, Mr. Lai served several HK listed companies in key management positions with particular emphasis on corporate finance and organisation and management information. 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 Directors 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 56, obtained a doctorate degree in economics by the Financial Science Research Centre of the Ministry of Finance (財政部政科學研究所) in 1997 and has been appointed as 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 has also been appointed as a member of the Listing Committee of the China Securities Regulatory Commission (中國證券監管理委員會股票發行審核委員會). Mr. Meng has over 18 years experience in tertiary education of accountancy in the PRC. Mr. Meng 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 of the Company on 8 March 2005.

Mr. Xu Guangmao, aged 66, 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 positions. He has served as a managing deputy chairman of China Computer Industry Association for eight years. He has also been a director and president of Beijing CCID Information Limited and a vice-chairman of computer engineering & application branch of Chinese Institute of Electronics. Mr. Xu was appointed as an Independent Non-Executive Directors of the Company on 8 March 2005.

Biographical Details of Directors and Senior Management (continued)

SENIOR MANAGEMENT

Mr. Liang Qi Jiang, aged 50, is the vice president and the general manager of the Group's information equipment business division. He is responsible for the development of printer products and the overall management of the after-sales services system. 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 operational experience in research and development and production management of printers. Mr. Liang joined the Group in August 1996.

Mr. Sng Seng Poh, aged 52, is the Project Administration Director for the Group's EMS Project. 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, aged 53, is the assistant to president of the Group, director of business systems development and director of the president's office responsible for the business systems products development and the management of the administration department. Mr. Rao is a senior engineer and has over 15 years 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 has 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.

Mr. Li Ho Cheong, aged 38, is the company secretary of the Company. He is responsible for the company secretarial matters of the Group. Mr. Li has over 15 years of experience in the field of auditing and accounting. From 1997 to 2003, Mr. Li worked for an international accounting firm, while from 2003 to 2005, Mr. Li worked for a multinational retail company. From 2005 to 2007. Mr. Li worked as a chief financial officer and company secretary for a company listed on the Stock Exchange of Hong Kong. Mr. Li obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1997. Mr. Li is a Certified Public Accountant of the Hong Kong institute of Certified Public Accountants. He is an associates member of the Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. Mr. Li joined the Group in October 2007.

Corporate Governance Report

Except for the chairman of the board who has not attended the annual general meeting of the Company in accordance with the requirements of code provision E.1.2 of the Corporate Governance Code due to business reason, the Company has, throughout the year ended 31 December 2012, complied with the Code of Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Listing Rules.

The following summarises the Company's corporate governance practices and explains deviations, if any, from the CG 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 for Securities Transactions by Directors of Listed Issuers as set out in 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 2012.

BOARD OF DIRECTORS

As at 31 December 2012, the Board comprises three Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang, one Non-Executive Director, being Yeung Kwok Keung and three Independent Non-Executive Directors, being Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao. Mr. Au Kwok Lun and Mr. Ou Guo Liang is the son of Mr. Au Pak Yin. The Directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the Directors are shown on pages 17 to 18 of the annual report.

During the year ended 31 December 2012, four board meetings and one general meeting were held and the attendance was as follows:

Name of Director	General meeting attendance	Board meeting attendance
Executive Director		
Mr. Au Pak Yin	0/1	4/4
Mr. Au Kwok Lun	1/1	4/4
Mr. Ou Guo Liang	0/1	4/4
Non-Executive Director		
Mr. Yeung Kwok Keung	0/1	4/4
Independent Non-Executive Director		
Mr. Lai Ming, Joseph	1/1	4/4
Mr. Meng Yan	0/1	4/4
Mr. Xu Guangmao	0/1	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 have 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 responsibility 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 judgment, 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

Independent Non-Executive Directors of the Company are re-appointed for another three-year term on 13 June 2011.

The Board also confirmed receipt of annual confirmation letter from each of the Independent Non-Executive Director confirming his independence as at 31 December 2012.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee ("RC"). The Remuneration Committee comprises of Mr. Lai Ming Joseph (Chairman), Mr. Meng Yan and Mr. Xu Guangmao, who are all Independent Non Executive Directors and Mr. Au Kwok Lun who is Executive Director. During the year ended 31 December 2012, the RC had reviewed the remuneration policy and remuneration packages of the Directors and senior management.

For the year ended 31 December 2012, the Remuneration Committee held one meeting. The individual attendance records of each member are as follow:

Name of Director	**Attendance**
Mr. Lai Ming, Joseph *(Chairman of RC)*	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1
Mr. Au Kwok Lun	1/1

The principal responsibility of Remuneration Committee is to determine the remuneration of the Executive Directors and members of the senior management.

NOMINATION COMMITTEE

The Board has established a Nomination Committee ("NC") during the year. The Nomination Committee comprises of Mr. Lai Ming Joseph (Chairman), Mr. Meng Yan and Mr. Xu Guangmao, who are all Independent Non Executive Directors. During the year ended 31 December 2012, NC had reviewed the policy for the nomination of directors.

For the year ended 31 December 2012, the Nomination Committee held one meeting. The individual attendance records of each member are as follow:

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

AUDITOR'S REMUNERATION

PricewaterhouseCoopers had been appointed as the auditor of the Group. During the year ended 31 December 2012, total fee of RMB1,300,000 paid/payable to PricewaterhouseCoopers were related to annual audit, interim review and other 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 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 Audit Committee are Independent Non-Executive Directors. The Audit Committee is chaired by Mr. Lai Ming, Joseph who is a certificated public accountant and the committee members are Mr. Meng Yan and Mr. Xu Guangmao.

The functions specified in Code Provision C3.3(a) to (n) of the CG 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 Audit Committee during the year ended 31 December 2012 and the attendance list 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

During the year ended 31 December 2012, the Audit Committee reviewed the final results of 2011 and interim results of 2012 and discussed and approved financial and other reports for the year. Also, the Audit Committee met with the external auditor to discuss auditing and internal control matters.

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 and aim at 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 is 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 26 to 78, which comprise the consolidated and company balance sheets as at 31 December 2012, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2012, 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 2013

Balance Sheets

As at 31 December 2012

(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	2012	2011	2012	2011
ASSETS					
Non-current assets					
Property, plant and equipment	6	86,760	84,127	—	—
Land use rights	7	9,744	10,033	—	—
Intangible assets	8	517	662	—	—
Investments in subsidiaries	9	—	—	212,520	212,086
Investment in an associate		92	97	—	—
Available-for-sale financial assets	10	3,756	500	—	—
		100,869	95,419	212,520	212,086
Current assets					
Inventories	12	137,116	180,014	—	—
Trade and other receivables	13	38,661	66,972	—	—
Amounts due from subsidiaries	13	—	—	237,572	210,441
Financial assets at fair value through profit or loss	14	15,313	11,883	—	—
Deposits in a financial institution	15	30,000	—	—	—
Restricted cash		683	586	—	—
Cash and cash equivalents	16	210,632	170,116	979	1,282
		432,405	429,571	238,551	211,723
Total assets		533,274	524,990	451,071	423,809
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	17	176,649	176,649	176,649	176,649
Other reserves	18	201,682	197,066	212,488	212,054
Retained earnings	28				
— proposed final dividend	30	19,911	28,123	19,911	28,123
— unappropriated retained earnings		16,659	21,108	10,767	3,626
		414,901	422,946	419,815	420,452
Non-controlling interests		31	24	—	—
Total equity		414,932	422,970	419,815	420,452

Balance Sheets (continued)

As at 31 December 2012

(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	**2012**	2011	**2012**	2011
LIABILITIES					
Non-current liabilities					
Borrowings	19	**28,151**	—	**28,151**	—
Deferred income tax liabilities	20	**3,582**	3,786	**—**	—
		31,733	3,786	**28,151**	—
Current liabilities					
Trade and other payables	21	**82,926**	96,948	**930**	930
Amounts due to subsidiaries	21	**—**	—	**2,175**	2,427
Current income tax liabilities		**3,683**	1,286	**—**	—
		86,609	98,234	**3,105**	3,357
Total liabilities		**118,342**	102,020	**31,256**	3,357
Total equity and liabilities		**533,274**	524,990	**451,071**	423,809
Net current assets		**345,796**	331,337	**235,446**	208,366
Total assets less current liabilities		**446,665**	426,756	**447,966**	420,452

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2012
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2012	2011
Revenue	5	456,875	559,600
Cost of goods sold	23	(342,159)	(421,066)
Gross profit		114,716	138,534
Other income	22	8,973	7,704
Selling and marketing costs	23	(30,370)	(30,816)
Administrative expenses	23	(50,700)	(51,179)
Other gains — net	25	8,719	502
Operating profit		51,338	64,745
Finance (costs)/income — net	26	(498)	985
Share of losses of an associate		(5)	(64)
Profit before income tax		50,835	65,666
Income tax expenses	27	(10,568)	(10,102)
Profit for the year		40,267	55,564
Profit attributable to:			
— Shareholders of the Company		40,260	55,042
— Non-controlling interests		7	522
		40,267	55,564
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
— Basic	29	0.072	0.098
— Diluted	29	0.072	0.098

Details of dividends payable to the shareholders of the Company for the year are set out in note 30.

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(All amounts in Renminbi thousands unless otherwise stated)

	2012	2011
Profit for the year	**40,267**	55,564
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**40,267**	55,564
Total comprehensive income for the year attributable to:		
— Shareholders of the Company	**40,260**	55,042
— Non-controlling interests	**7**	522
	40,267	55,564

The notes pages 32 to 78 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium (note 17)	Other reserves (note 18)	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2011	224,428	193,879	25,855	15,982	460,144
Comprehensive income					
Profit for the year	—	—	55,042	522	55,564
Total contributions by and distributions to the shareholders of the Company recognised directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	—	3,642	(3,642)	—	—
Share options granted to employees	—	193	—	—	193
Exercise of share options	395	(128)	—	—	267
Dividends	(48,174)	—	(28,024)	—	(76,198)
Acquisition of additional interests in a subsidiary	—	(520)	—	(16,480)	(17,000)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	(47,779)	3,187	(31,666)	(16,480)	(92,738)
Balance at 31 December 2011	176,649	197,066	49,231	24	422,970
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**
Total 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 (note 30)	**—**	**—**	**(48,739)**	**—**	**(48,739)**
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	**—**	**4,616**	**(52,921)**	**—**	**(48,305)**
Balance at 31 December 2012	**176,649**	**201,682**	**36,570**	**31**	**414,932**

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	31	**110,631**	7,525
Income tax paid		**(8,375)**	(5,719)
Interest paid		**(596)**	(1,252)
Net cash generated from operating activities		**101,660**	554
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11,024)**	(5,728)
Purchases of available-for-sale financial assets		**(3,256)**	—
Deposits in a financial institution		**(30,000)**	—
Interests received		**3,636**	6,130
Net cash (used in)/generated from investing activities		**(40,644)**	402
Cash flows from financing activities			
Acquisition of additional interests in a subsidiary		**—**	(17,000)
Exercise of share options		**—**	267
Release of bank deposits pledged for borrowings		**—**	72,290
Proceeds from borrowings		**31,937**	—
Repayments of borrowings		**(3,688)**	(66,399)
Dividends paid to shareholders of the Company		**(48,739)**	(75,268)
Dividends paid to non-controlling interests		**—**	(1,659)
Net cash used in financing activities		**(20,490)**	(87,769)
Net increase/(decrease) in cash and cash equivalents		**40,526**	(86,813)
Cash and cash equivalents at beginning of the year		**170,116**	257,483
Exchange losses on cash and cash equivalents		**(10)**	(554)
Cash and cash equivalents at end of the year	16	**210,632**	170,116

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

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 2013.

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.

Changes in accounting policy and disclosures

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the Group's financial year beginning 1 January 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

- HKFRS 1 (Amendment), "Severe hyperinflation and removal of fixed dates for first-time adopters" is effective for annual periods beginning on or after 1 July 2011. These amendments are not currently relevant to the Group as it is an existing HKFRS preparer.

- HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets" is effective for annual periods beginning on or after 1 January 2012. This amendment currently has no impact on the Group's financial statements as the Group has no investment property.

(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 (continued)

(a) Effect of adopting amendments to standards (continued)

- HKFRS 7 (Amendment), "Disclosures — Transfers of financial assets" is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. This amendment has no significant impact on the Group's financial statements.

(b) New and amended standards and interpretations issued but are not effective for financial year commencing on 1 January 2012 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption: on government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Transition guidance in HKFRS 10, 11 and 12	1 January 2013
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associate and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2014
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKFRS (Amendments)	Annual Improvements 2009–2011 Cycle	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) *New and amended standards and interpretations issued but are not effective for financial year commencing on 1 January 2012 and have not been early adopted by the Group (Continued)*

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 in.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2012.

(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 and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) 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 and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(b) Associates (continued)

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity holders of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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 (costs)/income — net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains/(losses) — 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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.

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 investments in subsidiaries, associates and 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/(losses) — 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 of the asset 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 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.

(b) Provision of services

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

(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 continued to be strengthening, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

At 31 December 2012, if RMB had strengthened/weakened by 0.2% against the US$ and HK$ with all other variables held constant, post-tax profit for the year would be higher/lower by RMB26,000 (2011: if RMB had strengthened/weakened by 5% against the US$ and HK$ with all other variables held constant, post-tax profit would be lower/higher by RMB54,000), 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 and restricted cash. The maturity term of cash and cash equivalents and restricted cash is within 12 months so there would be no significant interest rate risk for these financial assets.

The Group's major interest-bearing liability is HKD-denominated long term borrowings of RMB28,151,000 (31 December 2011: nil), which bears floating rate of interest and mature in May 2015. Thus, there would be no significant fair value interest rate risk of the Group's financial liability.

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

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and 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 2012, 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 RMB1,302,000 (2011: RMB1,010,000) 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.

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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 2012, 59% of trade receivables are due from three major customers of the Group (2011: 53%). 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 capital 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.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years
Group			
At 31 December 2012			
Borrowings	859	859	28,490
Trade and other payables	69,706	—	—
At 31 December 2011			
Trade and other payables	79,143	—	—
Company			
At 31 December 2012			
Borrowings	859	859	28,490
Amounts due to subsidiaries	2,175	—	—
Trade and other payables	930	—	930
At 31 December 2011			
Amounts due to subsidiaries	2,427	—	—
Trade and other payables	930	—	—

3. FINANCIAL RISK MANAGEMENT (continued)

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 2012, the total borrowings for the Group is RMB28,151,000 (2011: nil) and the gearing ratio is 5% (2011: not applicable).

3.3 Fair value estimation

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

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

The financial assets at fair value through profit or loss of the Group are measured at fair value in level 1 as at 31 December 2012. The financial assets at fair value through profit or loss of the Group are traded in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets at fair value through profit or loss held by the Group is the current bid price.

Available-for-sale financial asset is equity investment in a private company in Taiwan, which is measured at fair value in level 3 at 31 December 2012.

The carrying amounts less impairment provision of trade and other receivable and the carrying amounts of trade and other payables approximate their fair values due to their short term nature.

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 corporate income tax and deferred tax provisions in the period in which such determination is made.

5. SEGMENT INFORMATION

The directors and chief executive officer of the Group 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, other gains — net, finance income — net and income tax expenses, which are centrally managed for the Group.

(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			(50,700)
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)

(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 2011 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	456,610	102,990	559,600
Segment results	91,584	16,070	107,654
Other income			7,704
Administrative expenses			(51,179)
Other gains — net			502
Finance income — net			985
Income tax expenses			(10,102)
Profit for the year			55,564
Segment results include:			
Share of loss of an associate	(64)	—	(64)
Depreciation and amortisation	(4,763)	(3,185)	(7,948)

(a) Revenues from external customers are for sales of goods. There is no inter-segment sales for the year ended 31 December 2012 (2011: nil).

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

	2012	2011
In the PRC	**311,261**	414,788
In other countries	**145,614**	144,812
	456,875	559,600

(c) In 2012, approximately 24% of total revenue (2011: approximately 17%) are derived from a single external customer, which is in the segment of other electronic products manufacturing.

(d) As at 31 December 2012, 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 2011						
Cost	56,665	112,290	13,424	1,918	6,629	190,926
Accumulated depreciation	(7,898)	(79,113)	(9,460)	(1,193)	(4,419)	(102,083)
Net book amount	48,767	33,177	3,964	725	2,210	88,843
Year ended 31 December 2011						
Opening net book amount	48,767	33,177	3,964	725	2,210	88,843
Additions	—	4,742	480	180	326	5,728
Disposals	—	(282)	—	—	(1)	(283)
Depreciation	(1,449)	(7,146)	(956)	(205)	(405)	(10,161)
Closing net book amount	47,318	30,491	3,488	700	2,130	84,127
At 31 December 2011						
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**

(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:

	2012	2011
Cost of goods sold	**6,015**	7,232
Administrative expenses	**2,080**	2,647
Selling and marketing costs	**236**	282
	8,331	10,161

7. LAND USE RIGHTS — GROUP

At 1 January 2011	
Cost	11,550
Accumulated amortisation	(1,228)
Net book amount	10,322
Year ended 31 December 2011	
Opening net book amount	10,322
Amortisation	(289)
Closing net book amount	10,033
At 31 December 2011	
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**

The land is outside Hong Kong and held on leases of 40 years, with remaining useful life of 33.7 years (2011: 34.7 years).

Amortisation of RMB289,000 (2011: RMB289,000) is included in the cost of goods sold in the consolidated income statement.

(All amounts in Renminbi thousands unless otherwise stated)

8. INTANGIBLE ASSETS — GROUP

	Proprietary technology
At 1 January 2011	
Cost	1,344
Accumulated amortisation	(537)
Net book amount	807
Year ended 31 December 2011	
Opening net book amount	807
Amortisation	(145)
Closing net book amount	662
At 31 December 2011	
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**

Amortisation of RMB145,000 (2011: 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

	2012	2011
Investments in unlisted shares, at cost	211,751	211,751
Share options granted to employees of subsidiaries	769	335
	212,520	212,086

The following is a list of the subsidiaries at 31 December 2012:

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%

All the subsidiaries are limited liability companies.

(All amounts in Renminbi thousands unless otherwise stated)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

11. FINANCIAL INSTRUMENTS BY CATEGORIES

Group

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Assets as per consolidated balance sheet				
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
Deposits in a financial institution	—	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
At 31 December 2011				
Available-for-sale financial assets	—	—	500	500
Trade and other receivables, excluding prepayments (note 13)	—	59,283	—	59,283
Financial assets at fair value through profit or loss (note 14)	11,883	—	—	11,883
Restricted cash	—	586	—	586
Cash and cash equivalents (note 16)	—	170,116	—	170,116
	11,883	229,985	500	242,368

(All amounts in Renminbi thousands unless otherwise stated)

11. FINANCIAL INSTRUMENTS BY CATEGORIES (continued)

Group (continued)

	Other financial liabilities
Liabilities as per consolidated balance sheet	
At 31 December 2012	
Borrowings (note 19)	**28,151**
Trade and other payables	**69,706**
At 31 December 2011	
Trade and other payables	79,143

Company

	Loans and receivables
Assets as per balance sheet	
At 31 December 2012	
Amounts due from subsidiaries (note 13)	**237,572**
Cash and cash equivalents (note 16)	**979**
	238,551
At 31 December 2011	
Amounts due from subsidiaries (note 13)	210,441
Cash and cash equivalents (note 16)	1,282
	211,723

(All amounts in Renminbi thousands unless otherwise stated)

11. FINANCIAL INSTRUMENTS BY CATEGORIES (continued)

Company (continued)

	Other financial liabilities
Liabilities as per balance sheet	
At 31 December 2012	
Borrowings (note 19)	**28,151**
Amounts due to subsidiaries (note 21)	**2,175**
Trade and other payables (note 21)	**930**
	31,256
At 31 December 2011	
Amounts due to subsidiaries (note 21)	2,427
Trade and other payables (note 21)	930
	3,357

12. INVENTORIES — GROUP

	2012	2011
Raw materials	**100,621**	132,377
Work in progress	**3,645**	9,508
Finished goods	**32,850**	38,129
	137,116	180,014

The cost of inventories recognised in the consolidated income statement amounted to RMB343,992,000 (2011: RMB424,745,000).

(All amounts in Renminbi thousands unless otherwise stated)

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
Trade receivables				
— Third parties	**26,510**	33,946	**—**	—
— Related parties (note 33)	**—**	4,710	**—**	—
	26,510	38,656	**—**	—
Less: provision for impairment of receivables	**(4,471)**	(4,471)	**—**	—
Trade receivables — net	**22,039**	34,185	**—**	—
Bills receivable (note (b))	**1,513**	16,617		
Prepayments	**3,633**	7,689	**—**	—
Other receivables				
— Third parties	**9,056**	7,994	**—**	—
— Related parties (note 33)	**2,420**	487	**—**	—
Amounts due from subsidiaries (note (a))	**—**	—	**237,572**	210,441
	38,661	66,972	**237,572**	210,441

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

(b) As at 31 December 2012 and 2011, 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 2012, the ageing analysis of the trade receivables, including amounts due from related parties, were as follows:

	2012	2011
Less than 30 days	**13,641**	26,962
31–90 days	**5,206**	4,199
91–180 days	**1,672**	2,660
181–365 days	**1,198**	61
Over 365 days	**4,793**	4,774
	26,510	38,656

(All amounts in Renminbi thousands unless otherwise stated)

13. TRADE AND OTHER RECEIVABLES (continued)

(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 2012, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2012, trade receivables of RMB5,991,000 (2011: RMB4,835,000) are past due, out of which RMB4,471,000 (2011: RMB4,471,000) are impaired. The ageing analysis of these trade receivables is as follows:

	Group	
	2012	2011
Past due but not impaired:		
181–365 days	**1,198**	61
Over 365 days	**322**	303
Impaired:		
Over 365 days	**4,471**	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.

(e) The carrying amounts of trade, bills and other receivables and amounts due from subsidiaries are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
RMB	**22,441**	42,396	**—**	—
US$	**12,438**	16,730	**—**	—
HK$	**94**	157	**237,572**	210,441
Other currencies	**55**	—	**—**	—
	35,028	59,283	**237,572**	210,441

(f) There is no movements on the provision for impairment of trade receivables during the year (2011: nil).

(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.

(All amounts in Renminbi thousands unless otherwise stated)

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
Listed equity securities in the PRC — stated at market value	**15,313**	11,883

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 31).

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 25).

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

15. DEPOSITS IN A FINANCIAL INSTITUTION

As at 31 December 2012, the amount represented deposits in a commercial bank in the PRC with a fixed return and maturity of not more than one year.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
Cash at bank and in hand	**210,632**	170,116	**979**	1,282

	Group		Company	
	2012	2011	**2012**	2011
Denominated in:				
RMB	**184,021**	161,849	**—**	—
US$	**5,602**	5,805	**—**	—
HK$	**19,385**	2,021	**979**	1,282
Other currencies	**1,624**	441	**—**	—
	210,632	170,116	**979**	1,282

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. 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 2012 and 2011	10,000,000,000	100,000			
Issued and fully paid					
Balance at 1 January 2011	559,492,000	5,595	5,959	218,469	224,428
Dividends	—	—	—	(48,174)	(48,174)
Exercise of share options	500,000	5	4	391	395
Balance at 31 December 2011	559,992,000	5,600	5,963	170,686	176,649
Balance at 1 January 2012 and 31 December 2012	**559,992,000**	**5,600**	**5,963**	**170,686**	**176,649**

(All amounts in Renminbi thousands unless otherwise stated)

18. OTHER RESERVES

(a) Group

	Merger reserve (note (i))	Statutory reserve and enterprise expansion fund (note (ii))	Share option reserve (note (iii))	Other reserves	Total
Balance at 1 January 2011	136,904	56,705	270	—	193,879
Share options granted to employees	—	—	193	—	193
Exercise of share options	—	—	(128)	—	(128)
Acquisition of additional interests in a subsidiary	—	—	—	(520)	(520)
Transfer from retained earnings	—	3,642	—	—	3,642
Balance at 31 December 2011	136,904	60,347	335	(520)	197,066
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**

(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) In accordance with relevant rules and regulations in the PRC, except for sino-foreign joint venture enterprises, all the PRC companies are required to transfer not less than 10% of their 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 companies; the appropriations to the statutory reserve fund of sino-foreign joint venture enterprises are determined by the board of directors of the companies. 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 companies.

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 companies. The enterprise expansion fund can only be used to increase capital of respective companies or to expand production scale of the companies upon approval by the relevant authority.

18. OTHER RESERVES (continued)

(a) Group (continued)

(iii) Share options reserve

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. The share options are averagely divided into four batches which are vested on grant date, in 9 to 48 months from the grant date, respectively. All share options would expire in 6 years from the grant date. The Group has no legal or constructive obligation to re-purchase or settle the options in cash.

	2012		2011	
	Average exercise price in HK$ per share option	**Options (thousands)**	Average exercise price in HK$ per share option	Options (thousands)
At 1 January	**0.98**	**5,790**	0.63	800
Granted (note (1))	**—**	**—**	1.00	5,490
Exercised (note (2))	**—**	**—**	0.63	(500)
At 31 December (note (3))	**0.98**	**5,790**	0.98	5,790

(1) The fair value of share options granted in 2011 was RMB1,769,000 (equivalent to HK$2,137,000) determined using the "binomial valuation model", of which RMB434,000 was charged to the consolidated income statement for the year ended 31 December 2012 (2011: RMB193,000). The significant inputs into the model were weighted average share prices of HK$0.80 at the grant date, exercise price shown above, expected volatility of 86.33%, expected dividend yield of 5.50%, and expected share option life of 6 years and an annual risk-free interest rate of 1.504%.

(2) The related weighted average share price at the time of exercise was HK$0.63 per share.

18. OTHER RESERVES (continued)

(a) Group (continued)

(iii) Share options reserve (continued)

(3) Out of the 5,790,000 outstanding share options (2011: 5,790,000), 1,672,500 share options (2011: 225,000) were exercisable. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK$ per share option	Options (thousands) 2012	2011
3 July 2014	0.63	**300**	300
22 July 2017	1.00	**5,490**	5,490
	0.98	**5,790**	5,790

(b) Company

	Merger reserve (note (i))	Share option reserve (note (a)(iii))	Total
Balance at 1 January 2011	211,719	270	211,989
Share option granted to employees	—	193	193
Exercise of share option	—	(128)	(128)
Balance at 31 December 2011	211,719	335	212,054
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**

(i) Merger reserve of the Company represented the difference between the consideration of acquisition of subsidiaries over the nominal value of the shares of the Company issued in exchange during the Reorganisation.

(All amounts in Renminbi thousands unless otherwise stated)

19. BORROWINGS — GROUP AND COMPANY

	Group		Company	
	2012	2011	**2012**	2011
Non-current				
unsecured bank borrowings	**28,151**	—	**28,151**	—

The bank borrowings are denominated in HK$ and mature on 22 May 2015. The effective interest rate of the borrowing at 31 December 2012 is 3.05%.

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 2012	31 December 2011
Floating rate:		
— expiring within one year	**27,372**	—

20. DEFERRED INCOME TAX — GROUP

	2012	2011
Deferred income tax asset to be recovered after more than 12 months	**(233)**	(530)
Deferred income tax liabilities to be payable within 12 months	**3,815**	4,316
Deferred tax liabilities — net	**3,582**	3,786

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

	2012	2011
Balance at 1 January	**3,786**	(61)
(Credit)/charged in the consolidated income statement	**(204)**	3,847
Balance at 31 December	**3,582**	3,786

(All amounts in Renminbi thousands unless otherwise stated)

20. DEFERRED INCOME TAX — GROUP (continued)

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 2011	—	—	—
Charged to the consolidated income statement	4,316	—	4,316
At 31 December 2011	4,316	—	4,316
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**

(All amounts in Renminbi thousands unless otherwise stated)

20. 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	Others	Total
At 1 January 2011	—	—	(61)	(61)
(Credited)/charged to the consolidated income statement	(297)	(233)	61	(469)
At 31 December 2011	(297)	(233)	—	(530)
At 1 January 2012	**(297)**	**(233)**	**—**	**(530)**
Charged to the consolidated income statement	**64**	**233**	**—**	**297**
At 31 December 2012	**(233)**	**—**	**—**	**(233)**

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 RMB11,453,000 (31 December 2011: RMB11,588,000) in respect of the tax losses amounting to approximately RMB46,493,000 (31 December 2011: RMB47,503,000). As at 31 December 2012, the tax losses of certain group companies amounting to RMB32,023,000 and RMB14,470,000 will be expired within 2 years and between 2 to 5 years, respectively.

(All amounts in Renminbi thousands unless otherwise stated)

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
Trade payables				
— Third parties	45,332	43,233	—	—
— An associate	1,108	845	—	—
— Related parties (note 33)	2,352	3,616	—	—
	48,792	47,694	—	—
Amounts due to subsidiaries	—	—	2,175	2,427
Other payables to third parties	29,813	40,631	—	—
Dividends payable	975	975	930	930
Advances from customers	3,346	7,648	—	—
	82,926	96,948	3,105	3,357

At 31 December 2012, the ageing analysis of the trade payables, including amounts due to related parties, is as follows:

	2012	2011
Less than 30 days	25,300	23,346
31–90 days	11,049	14,736
91–180 days	2,163	3,588
181–365 days	4,429	3,360
Over 365 days	5,851	2,664
	48,792	47,694

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

	Group		Company	
	2012	2011	2012	2011
RMB	53,128	62,238	—	—
US$	15,899	14,530	—	—
HK$	5,498	4,903	3,105	3,357
Other currencies	5,055	7,629	—	—
	79,580	89,300	3,105	3,357

(All amounts in Renminbi thousands unless otherwise stated)

22. OTHER INCOME

	2012	2011
Interest income of bank deposits	5,909	5,785
Incentive subsidy	501	740
Repair and maintenance service income — net	2,563	1,179
	8,973	7,704

23. EXPENSES BY NATURE

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

	2012	2011
Depreciation for property, plant and equipment and amortisation of land use rights and intangible assets (notes 6, 7 and 8)	8,765	10,595
Raw materials and consumables recognised in cost of goods sold and expenses	323,007	400,859
Provision for impairment of other receivables	521	—
Employee benefit expenses (note 24)	49,832	48,873
— Cost of goods sold	14,970	18,051
— Selling and marketing costs	7,053	5,662
— Administrative expenses	27,809	25,160
Operating leases — building	2,010	1,951
Transportation expenses	5,577	6,544
Auditor's remuneration	1,300	1,360
Advertising and promotion fees	4,389	4,559
Others	27,828	28,320
	423,229	503,061

(All amounts in Renminbi thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES

	2012	2011
Wages and salaries	**41,778**	41,264
Share options granted to employees (note 18(a)(iii))	**434**	193
Staff welfare and insurance	**4,428**	4,083
Pension costs — defined contribution plans	**3,192**	3,333
	49,832	48,873

(a) Emoluments of directors and senior management

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**	**239**	**—**	**—**	**100**	**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	**1,184**	**—**	**—**	**686**	**20**	**—**	**—**	**3,122**

The remuneration of directors of the Company for the year ended 31 December 2011 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	199	398	—	—	—	10	—	—	607
Mr. Au Kwok Lun *(Chief Executive Officer)*	199	472	—	—	598	10	—	—	1,279
Mr. Ou Guo Liang	199	216	—	—	301	10	—	—	726
Mr. Lai Ming, Joseph*	199	—	—	—	—	—	—	—	199
Mr. Meng Yan*	100	—	—	—	—	—	—	—	100
Mr. Xu Guangmao*	100	—	—	—	—	—	—	—	100
Mr. Yeung Kwok Keung	83	—	—	—	—	—	—	—	83
	1,079	1,086	—	—	899	30	—	—	3,094

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

(All amounts in Renminbi thousands unless otherwise stated)

24. 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 (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: two) out of the five highest paid individuals during the year are as follows:

	2012	2011
Salaries and other benefits	2,180	1,272
Share options	47	21
Retirement scheme contributions	109	57
	2,336	1,350

The emoluments fell within the following bands:

	2012	2011
Nil to RMB1,000,000	3	2

25. OTHER GAINS — NET

	2012	2011
Gains/(losses) on financial assets at fair value through profit or loss — net	3,508	(930)
Penalty charged to a supplier	3,962	—
Foreign exchange gains — net	1,249	1,432
	8,719	502

26. FINANCE (COSTS)/INCOME — NET

	2012	2011
Interest expenses on bank borrowings	(596)	(435)
Exchange gains on bank borrowings	98	1,420
	(498)	985

(All amounts in Renminbi thousands unless otherwise stated)

27. INCOME TAX EXPENSES

	2012	2011
Current income tax expenses		
— Hong Kong profits tax (note (a))	(837)	—
— PRC corporate income tax (note (b))	(7,435)	(6,005)
— PRC withholding income tax (note (c))	(2,500)	(250)
	(10,772)	(6,255)
Deferred income tax expenses	204	(3,847)
	(10,568)	(10,102)

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:

	2012	2011
Profit before tax	50,835	65,666
Tax calculated at tax rates applicable to profits in the respective entities of the Group	(7,749)	(9,441)
Tax losses for which no deferred income tax asset was recognised	(242)	(667)
Utilisation of previously unrecognised tax losses	81	462
Tax effect of share of losses of an associate	(1)	(10)
Expenses not deductible for tax purposes	(157)	(196)
Income tax expenses	(8,068)	(9,852)
PRC withholding income tax	(2,500)	(250)
	(10,568)	(10,102)

27. 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 2012 (2011: 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 designated as HNTE for three years from 2011 to 2013, and therefore it enjoys a preferential CIT rate at 15% for the three years ending 31 December 2013 (2011: 15%). The effective CIT rate of other group entities in the PRC is 25% (2011: 25%).

(c) PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. All dividends distributed out from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax. The Group has made withholding income tax provision of RMB2,500,000 for the year ended 31 December 2012 (2011: RMB250,000). The Group has not made provision of deferred income tax of RMB2,632,000 (31 December 2011: RMB3,254,000) for the unremitted earnings of the PRC companies of RMB52,633,000 (31 December 2011: RMB65,075,000) 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.

28. RETAINED EARNINGS OF THE COMPANY

	2012	2011
Balance at 1 January	31,749	(23,385)
Profit for the year	47,668	83,158
Dividend (note 30)	(48,739)	(28,024)
Balance at 31 December	30,678	31,749

29. 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.

	2012	2011
Profit attributable to the shareholders of the Company (RMB'000)	40,260	55,042
Weighted average number of ordinary shares in issue (shares in thousands)	559,992	559,909
Basic earnings per share (RMB per share)	0.072	0.098

— 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 done 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.

	2012	2011
Profit attributable to the shareholders of the Company (RMB'000)	40,260	55,042
Weighted average number of ordinary shares in issue (shares in thousands)	559,992	559,909
Adjustments for share options (shares in thousands)	11	69
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	560,003	559,978
Diluted earnings per share (RMB per share)	0.072	0.098

(All amounts in Renminbi thousands unless otherwise stated)

30. DIVIDENDS

	2012	2011
Interim dividend (note (a))	**20,616**	28,024
Proposed final dividend (note (b))	**19,911**	28,123
Proposed special dividend (note (b))	**78,288**	—
	118,815	56,147

(a) At a meeting held on 28 August 2012, the directors of the Company declared an interim dividend for the six months ended 30 June 2012 of HK$0.045 (2011: HK$0.061) per ordinary share, approximately HK$25,200,000 (equivalent to RMB20,616,000) (2011: HK$34,159,000 equivalent to RMB28,024,000) out of retained earnings of the Company.

(b) At a meeting held on 21 March 2013, the directors of the Company proposed a final dividend for the year ended 31 December 2012 of HK$0.044 per ordinary share approximately HK$24,640,000 (equivalent to RMB19,911,000) 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 RMB78,288,000) out of share premium of the Company. These proposed dividends are not reflected as dividends payable in the consolidated financial statements for the year ended 31 December 2012, but will be reflected as dividends distribution for the year ending 31 December 2013.

A final dividend in respect of 2011 of HK$0.062 per ordinary share, approximately HK$34,720,000 (equivalent to RMB28,123,000 translated at the exchange rate prevailing at the date of payments) have been declared out of retained earnings of the Company in the Company's Annual General Meeting on 8 May 2012 and paid during the year ended 31 December 2012.

(All amounts in Renminbi thousands unless otherwise stated)

31. CASH GENERATED FROM OPERATING ACTIVITIES

	2012	2011
Profit for the year	40,267	55,564
Adjustments for:		
— Income tax expenses	10,568	10,102
— Depreciation of property, plant and equipment	8,331	10,161
— Amortisation of land use rights	289	289
— Amortisation of intangible assets	145	145
— Loss on disposal of property, plant and equipment	60	283
— Interest income	(5,909)	(5,785)
— Share options granted to employees	434	193
— Finance costs/(income) — net	498	(985)
— Exchange losses on cash and cash equivalents	10	554
— Share of loss from an associate	5	64
	54,698	70,585
Changes in working capital:		
— Inventories	42,898	(42,515)
— Trade and other receivables	30,584	(5,101)
— Restricted cash	(97)	(344)
— Financial assets at fair value through profit or loss	(3,430)	6,805
— Trade and other payables	(14,022)	(21,905)
Cash generated from operations	110,631	7,525

(All amounts in Renminbi thousands unless otherwise stated)

32. COMMITMENTS — GROUP

Operating lease commitments

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

	2012	2011
No later than 1 year	**1,894**	1,516
Later than 1 year and not later than 5 years	**450**	439
	2,344	1,955

33. 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 under significant influence of Au Family
Jiangmen Kong Yue Information Products Import Export Limited ("KY Import/Export")	Company directly controlled by Jiangmen Kongyue Information Technology Limited (company beneficially owned by Mr. Ou Guo Liang and Close Au Family Members) 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)

33. RELATED-PARTY TRANSACTIONS (continued)

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

		2012	2011
(i)	**Purchase of goods** (note (b-1))		
	— Guangdong Precision	**11,730**	19,975
	— Guangdong Zhongding	**7,834**	15,849
	— Jiangmen Yida	**10,376**	19,356
		29,940	55,180
(ii)	**Handling fees** (note (b-2))		
	— KY Import/Export	**610**	1,130
(iii)	**Key management compensation (exclusive of directors' emoluments)**		
	— Salary and other short-term employee benefits	**2,524**	1,821
	— Share options	**87**	40
	— Retirement scheme contribution	**77**	28
		2,688	1,889
(iv)	**Year-end balances with related parties** (note (b-3))		
	Trade and other receivables from related parties (note 13)		
	— KY Import/Export	**—**	4,253
	— Industrial Park	**503**	487
	— Guangdong Precision	**1,917**	457
		2,420	5,197
	Trade payables to related parties (note 21)		
	— Guangdong Zhongding	**1,025**	1,386
	— Jiangmen Yida	**871**	—
	— KY Import/Export	**456**	2,230
		2,352	3,616

Notes:

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

(b-2) Handling fees represent service charges for handling customs documents for the Group during import and export processes, which are calculated based on approximately 1% of the aggregate value of goods handled by KY Import/Export. During the year ended 31 December 2012, the handling fees charged by KY Import/Export in relation to import of materials and export of materials amounted to RMB489,000 and RMB121,000, respectively.

(b-3) All balances with related parties are unsecured and interest free; balances due from KY Import/Export and Industrial Park are repayable on demand, balances with other related parties are repayable within 45 days.

34. 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 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008
ASSETS					
Non-current assets					
Property, plant and equipment	**86,760**	84,127	88,843	89,470	98,500
Land use right	**9,744**	10,033	10,322	10,611	10,900
Intangible assets	**517**	662	807	936	1,498
Interest in associates	**92**	97	161	179	470
Available-for-sale financial assets	**3,756**	500	500	500	1,000
Deferred income tax assets	**—**	—	61	4,264	5,347
	100,869	95,419	100,694	105,960	117,715
Current assets					
Inventories	**137,116**	180,014	137,499	159,532	158,374
Trade and other receivables	**38,661**	66,972	62,216	74,100	114,951
Financial assets at fair value through profit or loss	**15,313**	11,883	18,688	21,790	3,455
Deposits in a financial institution	**30,000**	—	—	—	—
Restricted cash	**683**	586	72,532	—	—
Cash and cash equivalents	**210,632**	170,116	257,483	184,478	175,412
	432,405	429,571	548,418	439,900	452,192
Total assets	**533,274**	524,990	649,112	545,860	569,907
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	**176,649**	176,649	224,428	261,455	271,226
Other reserves	**201,682**	197,066	193,879	191,704	190,036
Retained earnings/(accumulated losses)					
— Proposed final dividend	**19,911**	28,123	—	—	—
— Retained earnings/(accumulated losses)	**16,659**	21,108	25,855	(465)	(12,620)
	414,901	422,946	444,162	452,694	448,642
Non-controlling interests	**31**	24	15,982	15,407	13,884
Total equity	**414,932**	422,970	460,144	468,101	462,526
LIABILITIES					
Non-current liabilities					
Borrowings	**28,151**	—	—	—	—
Deferred income tax liabilities	**3,582**	3,786	—	—	—
	31,733	3,786	—	—	—
Current liabilities					
Trade and other payables	**82,926**	96,948	120,399	77,652	100,028
Current income tax liabilities	**3,683**	1,286	750	107	192
Borrowings	**—**	—	67,819	—	7,161
	86,609	98,234	188,968	77,759	107,381
Total liabilities	**118,342**	102,020	188,968	77,759	107,381
Total equity and liabilities	**533,274**	524,990	649,112	545,860	569,907
Net current assets	**345,796**	331,337	359,450	362,141	344,811
Total assets less current liabilities	**446,665**	426,756	460,144	468,101	462,526

Five-year Financial Summary (continued)

(All amounts in Renminbi thousands unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

	2012	2011	2010	2009	2008
Revenue	**456,875**	559,600	467,491	456,690	613,985
Cost of goods sold	**(342,159)**	(421,066)	(361,975)	(368,221)	(572,581)
Gross profit	**114,716**	138,534	105,516	88,469	41,404
Other income	**8,973**	7,704	6,657	7,136	3,675
Selling and marketing costs	**(30,370)**	(30,816)	(25,680)	(30,677)	(60,978)
Administrative expenses	**(50,700)**	(51,179)	(45,296)	(48,320)	(56,609)
Other gains/(losses) — net	**8,719**	502	(3,862)	2,782	(15,492)
Operating profit/(loss)	**51,338**	64,745	37,335	19,390	(88,000)
Finance (costs)/income — net	**(498)**	985	1,220	(210)	1,164
Share of losses of associates and impairment charge	**(5)**	(64)	(18)	(291)	(4,729)
Profit/(loss) before income tax	**50,835**	65,666	38,537	18,889	(91,565)
Income tax (expenses)/credit	**(10,568)**	(10,102)	(7,840)	(3,633)	2,116
Profit/(loss) for the year	**40,267**	55,564	30,697	15,256	(89,449)
Attributable to:					
Shareholders of the Company	**40,260**	55,042	28,463	13,733	(89,072)
Non-controlling interests	**7**	522	2,234	1,523	(377)
	40,267	55,564	30,697	15,256	(89,449)
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to shareholders of the Company during the year (expressed in RMB per share)	**0.072**	0.098	0.051	0.024	(0.154)