



Jolimark

Jolimark Holdings Limited
映美控股有限公司

(Incorporated In The Cayman Islands With Limited Liability)

Stock Code: 2028

Annual Report 2014

CONTENTS

02	Corporate Information
03	Chairman's Statement
04	Management's Discussion and Analysis
09	Report of the Directors
20	Biographical Details of Directors and Senior Management
23	Corporate Governance Report
28	Independent Auditor's Report
30	Balance Sheets
32	Consolidated Income Statement
33	Consolidated Statement of Comprehensive Income
34	Consolidated Statement of Changes in Equity
35	Consolidated Statement of Cash Flows
36	Notes to the Consolidated Financial Statements
89	Five-year Financial Summary

Corporate Information

Directors

Executive Directors

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

Independent Non-Executive Directors

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

Registered Office

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

Principal Place of Business in Hong Kong

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

Company Secretary

Mr. Lai Sai Wo, Ricky

Authorised Representatives

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Auditor

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

Legal Adviser to the Company as to Hong Kong Law

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Stock Code

2028

Website

www.jolimark.com

Chairman's Statement

Dear Shareholders,

In 2014, the Group recorded revenue of approximately RMB548,762,000, representing a slight decrease of approximately 6% compared to 2013; and the Group recorded profit attributable to shareholders of the Company for the year of approximately RMB82,605,000, representing an increase of approximately 22% compared to 2013. The growth in results was mainly attributed to the increase in the proportion of sales and gross profit margin of Jolimark branded products despite the sluggish market.

Currently, the Company devises its technical and product development plans based on the opportunities offered by the general development trend of the macro-economic environment with regard to invoice printer, printers for passbooks and certificates, e-commerce and commercial invoices. At the same time, the Company has given full consideration on the diversified printing demand for commercial invoices when mapping out its product lines and designing its products and our portable printers are ready to be launched to the market as well. In addition, the Company has devoted much resources to develop medical information electronic products for years and will successively launch our products. In 2014, our Taiwan R&D center has commenced the development of 3D printers and multifunctional colour ink-jet printers for office use, offering us bright prospects of business development.

In 2014, the Company actively developed new mobile internet products and participated in the "Internet+" action plan. Through the application of mobile phone sound wave identification technique and mobile internet technology, we successfully developed the "Kamo" (卡莫) pre-paid card mobile payment system and the "Yingmei.me" Cloud Printing System. The introduction of "Kamo" and "Yingmei.me" systems will usher the Company into the new business sector of mobile internet, while mobile payment and O2O cloud printing platform and printers will be the focal areas of our future business development.

In 2015, the "BT to VAT" (replacing business tax with value-added tax) reform will be extended to all industries across the country, which is set to boost the printing volume of value-added tax invoices and in turn, stoking the market demand of invoice printers. Meanwhile, the government will strenuously promote the reform and the opening up of services industries and support the development of e-commerce and O2O, which will stimulate a continuous growth in the demand for commercial invoices, medical record and invoice printing in the medium- to long-term.

Looking ahead to 2015, the domestic macro-economy will face greater downward pressure. Notwithstanding that many new products are being launched and many new businesses are being set up by us, the Company will still be subject to certain uncertainties. Nevertheless, I believe the Company is capable of effectively handling the various challenges and scoring further and more diversified development for the Company's businesses.

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

By Order of the Board

Au Pak Yin

Chairman

Jolimark Holdings Limited

Hong Kong, 30 March 2015

Management's Discussion and Analysis

Business Review

Printer and Tax Control Equipment Business

For the year ended 31 December 2014, the Group's revenue from the business of printer and tax control equipment amounted to approximately RMB442,425,000, representing approximately 81% of the Group's revenue and a decrease of approximately 5% when compared with 2013. With an aim to increasing market share, the Group adopted aggressive pricing and promotion policies in the second half of the year, resulting in an increase in annual sales volume of approximately 4.86% and a slight decrease in sales amount despite the sluggish market.

Other Electronic Products Manufacturing Business

For the year ended 31 December 2014, the Group's revenue from sales recorded by other electronic products manufacturing business amounted to approximately RMB106,337,000, representing approximately 19% of the Group's revenue and a decrease of approximately 9% when compared with 2013. The decrease in sales was mainly due to the weak market demand in Europe and the United States witnessed in the second half of the year.

Future Business Outlook

2015 is a banner year for the Chinese government's reform of "BT to VAT" (replacing business tax with value-added tax). To extend the reform to all industries across the country will be one of the key tasks under the Chinese government's "General Plan on Comprehensively Pushing Forward the Reform of Financial and Tax System". The Chinese government steams ahead in accomplishing the "BT to VAT" reform through significant move of publishing "Report on the Work of the Government", which is set to boost the printing volume of value-added tax invoices and in turn, stoking the market demand of invoice printers. Besides, the Chinese government made its intention clearer in the "Report on the Work of the Government" that the regulations on establishing financial institutions will be loosened. In particular, the Chinese government has introduced the deposit security system to encourage qualified private capital to invest in establishing financial institutions such as small- to medium-scale banks pursuant to the law. Restrictions will be abandoned under the new regulation with an aim to approving every single matured enterprise. In addition, the State Council of China promulgated the "Provisional Regulations on Real Estate Registration" on 1 March 2015. Both of these are expected to fuel the market demand of printers for passbooks and certificates. The printing demand from commercial invoices, medical records and invoices also received continuous mid- to long-term boost from the economic development and social benefit policies. Specifically, the government has strenuously promoted the development of livelihood and services industries, including travel, health care, elderly services, innovation and design, etc., in order to promote more comprehensive reform of the service industry. "Internet+" action plan was introduced to support the development of e-commerce and O2O and enormous efforts were made in increasing the per capita disposable income. With respect to medical services, the government strives to improve the basic medical insurance system for urban and rural residents, by raising the standard of financial and medical subsidies and promoting the digitization of medical and health care information.

The Company's technical and product development plans are based on the opportunities offered by the general development trend of the macro-economic environment. With respect to invoice printers, the Company has successfully introduced a series of front loading invoice printers which are quiet and stylish. They are also equipped with paper-feeding and other smart features designed for the printing needs of different kind of customers. The Company has continued to better the performance, lower the cost and improve the price-performance of its products. Its touch-screen tax control invoice printers and Android POS are expected to gain more popularity among users. With respect to printers

Management's Discussion and Analysis (continued)

for passbooks and certificates, the Company has developed new models of smart printers for passbooks and certificates which are compatible with different paper sizes and thickness while integrating the magnetic encoder reader/writer and scanning functions in the same devices. For e-commerce, the Company has introduced the 1+6 multi-linked voucher printer equipped with high-loading, high-speed and automatic thickness detection functions to meet the demand for high volume printing of invoices and courier documents of internet stores. With respect to commercial bills, the Company has introduced the comprehensive dot matrix and heat sensitive product series. Particularly noteworthy are the easy-loading mini printers and automatic ceramics paper cutter. The Company is in possession of the intellectual property rights of the core technologies and we expect these products to have a significant impact on the invoice printing market. The Company has also given full consideration on the diversified printing demand of commercial invoices when planning its product lines and designing its products. For example, our dot matrix printers offer various size options of 57 or 76 mm and 40 or 50 lines while the heat sensitive printers offer the options of 58 or 80 mm. Our dot matrix printers allow customers to select print heads with 9, 12 or 24-pins while our thermal print heads also offer different speed selections. For paper loading, we offer customers choices of top or front loading. Our portable printers are in the process of being launched in the market. The printing applications of medical records, prescriptions and medicine bags are set to speed up medical consultation process while reducing the chance of errors in the dispensing of pharmaceuticals, which is favourable for solving the problem of medical shortage. Given the great importance placed by the Chinese government and the rapid development, the Company has devoted much resources to develop medical information electronic products for years and will successively launch our products, including graphic, text and bar code inkjet printers for prescriptions, medicine bags, bills and anamnesis. Following the great success we enjoyed with the introduction of the document short-throw real-object projectors, the Company has also introduced new focused projectors and 16:9 projection products to work as an interactive education system in conjunction with our newly developed multi-touch electronic whiteboard and this gives us greater product competitiveness. The Company places great emphasis on a product development culture for image applications, which is beneficial for customer retention and acquisition. Together with the new marketing and sales divisions and strategies, the Company is well positioned to seize more market opportunities in these areas in 2015. In 2014, our Taiwan R&D center has commenced the development of 3D printers and multi-functional colour ink-jet printers for office use. We see bright prospects of business development in both of these market segments.

In 2014, the Company actively developed new mobile internet products and participated in the "Internet+" action plan. Through the application of mobile phone sound wave identification technique and mobile internet technology, we successfully developed the "Kamo" (卡莫) pre-paid card mobile payment system to serve as a new commercial O2O platform which can be trusted by the consumers while promoting vendor integrity. The new system will be launched in the first-tier cities of Beijing, Shanghai, Guangzhou and Shenzhen. The research and development of "Yingmei.me" Cloud Printing System are completed and free services will be offered. By simply applying for a registered email, users of the system can transform an ordinary printer to a cloud printer. Our immediate next step is to introduce the "Yingmei.me" O2O cloud printing platform which will provide charge-based services to users. The introduction of "Kamo" system and "Yingmei.me" O2O cloud printing will usher the Company into the new business sector of mobile internet, while mobile payment and O2O cloud printing platform and printers will be focal areas of our future business development.

Looking ahead to 2015, the domestic macro-economy will move from a period of high growth to a new normal period of medium-high growth and the economy will face the challenges of downward pressures. Notwithstanding that many new products are being launched and many new businesses are being set up by us, the Company will still be subject to certain uncertainties and therefore we take a prudent view of the business performance for the whole year of 2015.

Management's Discussion and Analysis (continued)

Financial Review

Results Summary

The Group recorded a turnover of approximately RMB548,762,000 for the year ended 31 December 2014, representing a decrease of approximately 6% from the previous year. The profit attributable to shareholders of the Company enjoyed an increase of approximately 22% over the previous year and amounted to approximately RMB82,605,000. The basic earnings per share were approximately RMB0.147 (2013: RMB0.121), representing an increase of approximately RMB0.026 over the previous year.

Analysis on Sales and Gross Profit

For the year ended 31 December 2014, the revenue of the printer and tax control equipment business amounted to approximately RMB442,425,000 and accounted for approximately 81% of the total revenue of the Group, which was the largest contributor to the revenue of the Group, whereas the revenue of other electronic products manufacturing amounted to approximately RMB106,337,000 and accounted for approximately 19% of the revenue of the Group. The revenue from the printer and tax control equipment business decreased by approximately 5% as compared to that of 2013, whereas revenue from other electronic products manufacturing business decreased by approximately 9%.

The Group's gross profit margin increased from approximately 27.8% of last year to approximately 34.8%. The increase in gross profit margin was mainly due to the increase in the proportion of sales and gross profit margin of Jolimark branded products. The relatively substantial rise in gross profit margin of Jolimark brand products is attributable to the aggressive use of new design and new technology by the Group on the research, development and introduction of new products and the replacement of print heads purchased from external parties by self-manufactured print heads.

Capital Expenditure

For the year ended 31 December 2014, the capital expenditure of the Group amounted to approximately RMB13,420,000, which was mainly used for the purchase of production equipment and moulds for new products.

Financial Position and Liquidity

As at 31 December 2014, the total assets of the Group amounted to approximately RMB607,404,000 (31 December 2013: RMB569,876,000), shareholders' fund amounted to approximately RMB388,687,000 (31 December 2013: RMB365,760,000). Non-controlling interests amounted to approximately RMB75,000 (31 December 2013: RMB44,000) and current liabilities amounted to approximately RMB190,746,000 (31 December 2013: RMB118,434,000). The current ratio (the ratio of current assets to current liabilities) of the Group was approximately 2.4 (31 December 2013: 3.4). The decrease in current ratio was mainly attributable to the long-term loans of approximately RMB83,313,000 are due for repayment within one year from 31 December 2014 and were classified as current liabilities as at 31 December 2014.

Management's Discussion and Analysis (continued)

As at 31 December 2014, the cash and cash equivalents, restricted cash and the structured deposits of the Group amounted to approximately RMB344,135,000 (31 December 2013: RMB301,391,000) whereas the bank borrowings of the Group amounted to approximately RMB111,495,000 (31 December 2013: RMB93,057,000). The Group was in a net cash position after deducting the borrowings.

As at 31 December 2014, the Group held financial assets stated at fair value through profit or loss (equity securities traded in China A shares stock exchange) of approximately RMB8,779,000 (31 December 2013: RMB7,641,000). The outstanding bank acceptance bills received from customers amounted to approximately RMB2,430,000 (31 December 2013: RMB6,726,000).

Acquisition

In 2014, Kong Yue Electronics & Information Industry (Xin Hui) Ltd., a subsidiary of the Group, acquired 100% of the equity interests in Shenzhen Coolwi Technology Company Limited (深圳酷外科技有限責任公司) with the consideration of approximately RMB6,000,000.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2014.

Staff

As at 31 December 2014, the Group employed 1,220 staff in total. Most of them were based in the PRC while 21 employees were employed in Hong Kong and overseas. The Group implemented its remuneration policy, bonus scheme and share option scheme based on results of the Group and individual performance of the staff. In addition, fringe benefits, such as insurance, medical allowance and pension, were provided to ensure the Group's competitiveness.

Proposed final and special dividend and closure of register of members

The Board recommended a final dividend for 2014 of HK\$0.105 per share and special dividend for 2014 of HK\$0.031 per share to shareholders whose names appear on the register of members on Wednesday, 27 May 2015. The final dividend and the special dividend will be paid on or before Friday, 26 June 2015.

The annual general meeting of the Company will be held on Monday, 18 May 2015. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 13 May 2015 to 18 May 2015, 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 12 May 2015.

Management's Discussion and Analysis (continued)

For determining entitlement to the proposed final and special dividend, the register of members of the Company will be closed from 22 May 2015 to 27 May 2015, 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, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 21 May 2015.

Audit committee

The audit committee comprises Mr. Lai Ming, Joseph as the chairman, Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung, all are Independent Non-Executive Directors. For the year ended 31 December 2014, the audit committee held two meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding the internal control and financial reporting (including the interim and annual results before proposing them to the Board for approval) with the management and external auditor. The audit committee has reviewed the results of the Group for the year ended 31 December 2014.

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 2014.

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 of the Group for the year ended 31 December 2014 is set out in the Management Discussion & Analysis.

Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 32.

Interim dividend for 2014 of HK\$0.063 per share was paid by the Company. The Board of the Company now recommends a final dividend of HK\$0.105 per share and special dividend of HK\$0.031 per share (2013: final dividend of HK\$0.079 per share and nil special dividend) in respect of the year ended 31 December 2014.

Reserves

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

Property, Plant and Equipment

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

Share Capital

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

Distributable Reserves

As at 31 December 2014, the Company’s reserve available for cash distribution as computed in accordance with the Companies Law of the Cayman Islands (2013 Revision), amounted to approximately RMB147,112,000.

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-rata basis to existing shareholders.

Buy Back, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2014, the Company has issued and allotted 300,000 and 3,259,987 new shares at exercise prices of HK\$0.63 and HK\$1.00 each, respectively, as a result of the exercise of share options to the share option holders of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries bought back, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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.

Report of the Directors (continued)

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 2014	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2014	Exercise period
Employees — Type 1	3 July 2008	0.63 (Note 3 and 4)	300,000	—	(300,000) (Note 11)	—	—	Six years from the date of grant (Note 1)
Employee — Type 3	22 July 2011	1.00 (Note 5 and 6)	5,490,000	—	(3,259,987) (Note 12)	(150,000)	2,080,013	Six years from the date of grant (Note 2)
Employee — Type 3	10 December 2013	1.18 (Note 7 and 8)	5,600,000	—	—	(100,000)	5,500,000	Six years from the date of grant (Note 2)
Employee — Type 4	17 December 2014	1.70 (Note 9 and 10)	—	19,800,000	—	—	19,800,000	Six years from the date of grant (Note 2)
Total			11,390,000	19,800,000	(3,559,987)	(250,000)	27,380,013	

Notes:

- The first 25% of the option can be exercised from the date of grant. The next 25% of the option will become exercisable at the end of nine months after the date of grant. The third 25% of the option will become exercisable at the end of 21 months after the date of grant. The remaining 25% of the option will become exercisable at the end of 33 months after the date of grant.
- The first 25% of the option can be exercisable at any time on and after the first anniversary of the grant of the option. The next 25% of the option can be exercisable at any time commencing from the second anniversary of the grant of the option. The third 25% of the option can be exercisable at any time commencing from the third anniversary of the grant of the option. The remaining 25% of the option can be exercisable at any time commencing from the fourth anniversary of the grant of the option.
- The closing price immediately before the date of grant was HK\$0.60.
- The exercise price was determined by the Directors of the Company and was fixed at HK\$0.63 per share.
- The closing price immediately before the date of grant was HK\$0.80.
- The exercise price was determined by the Directors of the Company and was fixed at HK\$1.00 per share.
- The closing price immediately before the date of grant was HK\$1.18.
- The exercise price was determined by the Directors of the Company and was fixed at HK\$1.18 per share.
- The closing price immediately before the date of grant was HK\$1.72.
- The exercise price was determined by the Directors of the Company and was fixed at HK\$1.70 per share.
- The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$1.54 per share.
- The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$1.87 per share.

Report of the Directors (continued)

Directors

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

Executive Directors

Mr. Au Pak Yin (*Chairman*)

Mr. Au Kwok Lun (*Chief Executive Officer*)

Mr. Ou Guo Liang

Independent Non-Executive Directors

Mr. Lai Ming, Joseph

Mr. Meng Yan

Mr. Xu Guangmao

Mr. Yeung Kwok Keung

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

Directors' Service Contracts

Mr. Yeung Kwok Keung and other Directors have renewed their service agreements with the Company for another term of 3 years commencing from 1 August 2014 and 13 June 2014, respectively. Save as above, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

Report of the Directors (continued)

Directors' Interests in Contracts

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

Director's Rights to Acquire Shares

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

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on page 20 to page 22.

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 13% 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\$1,500 by each of the employee and the Group) on a monthly basis to the fund.

Report of the Directors (continued)

Disclosure of Interests

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

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number of shares held ^(Note 1)	Percentage in the relative class of share capital (approx.)
Mr. Au Pak Yin (“Mr. Au”)	Company	Interest in controlled corporation ^(Note 2)	394,285,533 shares (L)	69.96%
Mr. Au	Kytronics Holdings Limited (“Kytronics”)	Beneficial owner ^(Note 3)	2 ordinary shares (L)	40%
Mr. Au Kwok Lun	Kytronics	Beneficial owner	1 ordinary share (L)	20%
Mr. Ou Guo Liang	Kytronics	Beneficial owner	1 ordinary share (L)	20%

Notes:

1. The letter “L” denotes the Director’s long position in such securities.
2. 394,285,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit (“Ms Tai”). Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO.
3. Each of Mr. Au and Ms Tai is the beneficial owner of an ordinary share in Kytronics.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

Report of the Directors (continued)

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

As at 31 December 2014, as far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Company/name of associated corporation	Capacity	Number of shares held	Percentage in the relevant class of share capital (approx.) ^(Note 1)
Kytronics	Company	Beneficial Owner	394,285,533 shares ^(Note 2)	69.96%(L)
Ms. Tai Noi Kit ("Ms. Tai")	Kytronics	Interest in controlled corporation	394,285,533 shares ^(Note 2)	69.96%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	78,880,000 shares ^(Note 3)	14.00%(L)

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. 394,285,533 shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 20% each of Ms. Tai and her spouse Mr. Au. Ms. Tai and Mr. Au are therefore deemed to be interested in these shares by virtue of their interests in Kytronics pursuant to Part XV of the SFO.
3. 69,426,000 shares and 9,454,000 shares were held by Jayhawk Private Equity Fund II, L.P. and Kent C. McCarthy Revocable Trust respectively, which are wholly owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 31 December 2014, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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.

Report of the Directors (continued)

Major suppliers and customers

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 41% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 19% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 23% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 6% of total purchases.

In the Group's five largest suppliers, it included Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision") which is 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 and export agency services	(i)	935
(II) Supply agreements with Guangdong Kong Yue Precision Industry ("Guangdong Precision")	(ii)	17,344
(III) Supply agreement with Guang Dong Jotech Kong Yue Precision Industry Limited ("Jiangmen Yida")	(iii)	6,784
(IV) Master Services Agreement with Palace International Hotel ("Palace")	(iv)	495

Notes:

- (i) The service fees charged by KY Import/Export in relation to import of materials for the Group are approximately 1% of purchase price of the materials. The service fees charged by KY Import/Export in relation to export products are equivalent to 1% of the full contract price of the products. The annual cap of the transactions is RMB1,686,000 for the year ended 31 December 2014.
- (ii) Pursuant to the agreements entered into by Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information", a subsidiary of the Company) with Guangdong Precision on 8 November 2013 (collectively referred to as the "Precision Agreements"), Guangdong Precision agreed to supply plastic parts, components and molds to Kongyue Information from time to time as requested by the Kongyue Information. The annual cap of the transactions for the year ended 31 December 2014, in aggregate, is RMB25,859,000.
- (iii) Pursuant to the agreement entered into by Kongyue Information and Jiangmen Yida on 8 November 2013, Jiangmen Yida agreed to supply metal stamped parts and molds to Kongyue Information from time to time as requested by Kongyue Information. The annual cap of the transactions for the year ended 31 December 2014 is RMB11,202,000.
- (iv) Pursuant to the agreement entered into by Kongyue Information and Palace on 8 November 2013, Palace agreed to provide hotel accommodation services, catering and other related services to Kongyue Information from time to time as requested by Kongyue Information. The annual cap of the transactions for the year ended 31 December 2014 is RMB1,200,000.

Report of the Directors (continued)

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) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable; and (d) have not exceeded the relevant annual maximum amount stipulated in the relevant agreements.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. 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

On 15 October 2014, the Company announced that it noticed from the disclosure of interest form filed by Mr. Kent C. McCarthy ("Mr. McCarthy") on 23 September 2014 that his interest in the Company has exceeded 10%. The Company conducted further checks and noted that Mr. McCarthy's interest in the Company has in fact exceeded 10% since 2 April 2014. As at the date of the announcement, Mr. McCarthy is interested in 78,880,000 shares, representing approximately 14.00% of the issued share capital of the Company. Given that Mr. McCarthy's interest in the Company is over 10%, he will be regarded as a substantial shareholder and a connected person of the Company. Accordingly, the shares held by him will not be counted towards the public float of the Company. To the best of the Directors' knowledge, save for his interest as a substantial shareholder of the Company, Mr. McCarthy and the companies he controlled are independent of the Company and its Directors. Kytronics, the controlling shareholder of the Company, is interested in 394,285,533 shares, representing approximately 69.99% of the issued share capital of the Company. The aggregate shareholding interest of Mr. McCarthy and Kytronics is approximately 83.99%. Thus, the Company's public float has fallen below the minimum 25% requirement required by Rule 8.08 of the Listing Rules.

In an attempt to restore the public float to the required level, the Company has successfully placed 40 million new shares on 5 February 2015, raising the public ownership of the Company from 16.04% to 21.45%. The Company will continue to look into the best means to bring the public float level even higher to satisfy the stipulated minimum requirement under Rule 8.08 of the Listing Rule. The Company will continue to actively consider other options and alternatives to restore its public float.

Report of the Directors (continued)

Subsequent Events

Pursuant to a final civil judgment from the Supreme Court of the PRC received by the Group in January 2015, the Group was awarded compensation of RMB30 million in relation to an alleged breach by a former supplier in an exclusive distribution agreement with the Group. Having deducted the amount of RMB4 million received in 2012, the remaining sum of RMB26 million was received in January 2015 which will be taken up as other gain in the Group's consolidated financial statements for the year ending 31 December 2015.

On 14 January 2015, the Company entered into a placing agreement (the "Placing Agreement") with Orient Securities (Hong Kong) Limited (the "Placing Agent") in relation to the placing of up to 70,000,000 new shares of the Company (the "Placing Shares"). Pursuant to the Placing Agreement, the Company agreed to place, through the Placing Agent, the Placing Shares to placees at the placing price range of between HK\$1.70 and HK\$2.00 per Placing Share. The conditions of the placing had been fulfilled and the completion of the placing took place on 5 February 2015. An aggregate of 40,000,000 Placing Shares have been successfully placed by the Placing Agent to not fewer than six placees at the placing price of HK\$1.70 per Placing Share, and the Company raised net proceeds of approximately HK\$66 million from the Placing. Company proposes to use approximately HK\$66 million from the net proceeds for the business development of the Company's new mobile payment business and the O2O cloud printing business. As at the date of this annual report, all the net proceeds is currently held in cash and cash equivalents.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the year ended 31 December 2014 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

Compliance with the Corporate Governance Code

The Company has adopted and complied with all the code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2014, save as disclosed below.

In accordance with the requirements of code provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting. However, due to other business commitment, the chairman of the Board, Mr. Au Pak Yin, did not attend the annual general meeting of the Company held on 12 May 2014.

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

Report of the Directors (continued)

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, 30 March 2015

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 69, is the chairman of the Company and a founder of the Group. He is in charge of corporate strategy and planning and the overall development of the Group. He has over 25 years of experience in distribution and manufacturing of business equipment in the PRC. Mr. Au first started to trade in Hong Kong in 1986 and in 1989, he began to engage in the trading of printers in the PRC. In 1997, Mr. Au and his family members commenced the production of SDM printers by establishing Kongyue Printing. The Group was founded by Mr. Au in 1998 through the establishment of Kongyue Information. Mr. Au is an honorary citizen of Jiangmen. He is the father of Mr. Au Kwok Lun and Mr. Ou Guo Liang.

Mr. Au Kwok Lun, aged 43, is an Executive Director and the chief executive officer of the Company. He is primarily in charge of strategy execution and overall management of the Group. Mr. Au obtained a bachelor of arts degree in technical English from Huazhong University of Science & Technology in 1994 and a bachelor of business administration degree in information and system management from the Hong Kong University of Science & Technology in 1998. Prior to joining the Group in May 1999, Mr. Au Kwok Lun worked as a trainee engineer for Motorola Semiconductor Hong Kong Limited and assistant general manager of Kongyue Technology. He has over 15 years of operational experience in the distribution and manufacturing of business equipment in the PRC and has been overseeing the expansion of the Group. He is experienced in marketing and distribution, product development and supply procurement. Mr. Au is a standing member of the China Computer Industry Association, the Vice Chairman of the Printer Profession Committee of the China Computer Industry Association and a standing member of the China Computer Users Association and a standing member of the Printing and Image Display Application Sub-Committee of the China Computer Users Association, a member of the Executive Committee of Jiangmen Division, Pearl River Delta Industries Committee, Hong Kong Federation of Industries, and the Chinese People's Political Consultative Conference of Jiangmen City. In 2005, Mr. Au received the 2005 Young Industrialist Awards of Hong Kong from the Federation of Hong Kong Industries. Mr. Au Kwok Lun is the son of Mr. Au Pak Yin and the brother of Mr. Ou Guo Liang.

Mr. Ou Guo Liang, aged 39, is an Executive Director of the Company. He assists the chief executive officer in formulation of strategy, development of new business and the management of sales and marketing networks. He has over 15 years of experience in sales and marketing. Mr. Ou obtained a bachelor of economics degree in international corporate management from the Central University of Finance and Economics (中央財經大學) in 1998. Mr. Ou joined the Group in November 1998. He is the son of Mr. Au Pak Yin and the brother of Mr. Au Kwok Lun.

Biographical Details of Directors and Senior Management (continued)

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 70, was appointed as an Independent Non-Executive Director on 8 March, 2005. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”), CPA Australia, the Chartered Institute of Management Accountants (“CIMA”) and the HK Institute of Directors. He was also the President of the HKICPA in 1986.

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

Until his retirement in 2004, Mr. Lai held key management positions in corporate finance and organisation and management information in several HK listed companies. He is an independent non-executive director of Guangzhou R&F Properties Co., Limited and Country Garden Holdings Company Limited. He was an independent non-executive director of Shinhint Acoustic Link Holdings Limited but retired on 23 May 2014. All of which are companies listed on the Stock Exchange of Hong Kong. Mr. Lai is also an independent non-executive director of Nan Fung Group Holdings Limited.

Mr. Meng Yan, aged 58, obtained a doctorate degree in economics from the Financial Science Research Centre of the Ministry of Finance (財政部政科學研究所) in 1997 and was a consultant to the Accounting Standard Committee of the Ministry of Finance (財政部會計標準委員會) for two years from September 2002 to September 2004. From 2001 to 2003, Mr. Meng served as a member of the Listing Committee of the China Securities Regulatory Commission (中國證券監督管理委員會股票發行審核委員會). Mr. Meng has over 19 years experience in tertiary education of accountancy in the PRC. He is currently the dean of the School of Accountancy of the Central University of Finance and Economics (中央財經大學). Mr. Meng was appointed as an Independent Non-Executive Director on 8 March 2005.

Mr. Xu Guangmao, aged 68, graduated in 1968 from the computer science department of Tsinghua University. Mr. Xu has over 35 years of experience in computer and peripheral equipment development and research. He served as a managing deputy chairman of China Computer Industry Association for eight years. He was a director and president of Beijing CCID Information Limited and a vice-chairman of the computer engineering & application branch of Chinese Institute of Electronics. Mr. Xu was appointed as an Independent Non-Executive Director on 8 March 2005.

Mr. Yeung Kwok-Keung, aged 67, was appointed a non-executive director of the Company on 1 August 2011 and assumed the role of an Independent Non-Executive Director since 21 October 2013. He was involved in information technology, logistics and venture capital investment until his retirement in 2008. As a Distinguished Fellow of the Hong Kong Computer Society, Mr. Yeung had also served as its President. He was also the Chairman of the Information Technology Committee of the Hong Kong SAR Government.

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

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

Biographical Details of Directors and Senior Management (continued)

Senior Management

Mr. Liang Qi Jiang is the Vice President and General Manager of the Group's information equipment business division. He is responsible for the development of printer products and has overall responsibility for after-sales services. Mr. Liang graduated from Huazhong Polytechnic (華中工學院) (now known as Huazhong University of Science & Technology (華中科技大學)). Mr. Liang has over 20 years of experience in the research and development and production management of printers. Mr. Liang joined the Group in August 1996.

Mr. Sng Seng Poh is the Project Administration Director for the Group's Electronic Manufacturing Services (EMS). He is responsible for the administration of EMS projects. In March 1990, Mr. Sng obtained the Diploma in Business Efficiency & Productivity (Production Management) from NPB Institute for Productivity Training in Singapore. Mr. Sng has over 20 years of experience in production management of SMT. Before joining the Group, Mr. Sng has worked for Richgold Industries Pte Limited in Singapore. Mr. Sng joined the Group in December 1998.

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

Corporate Governance Report

The Company has adopted and complied with all the code provisions as set out in the Corporate Governance Code during the year ended 31 December 2014, save as disclosed below.

In accordance with the requirements of code provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting. However, due to other business commitment, the chairman of the Board, Mr. Au Pak Yin, did not attend the annual general meeting of the Company held on 12 May 2014.

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

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the year ended 31 December 2014 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

Board of Directors

As at 31 December 2014, the Board comprises three Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang and four Independent Non-Executive Directors, being Mr. Lai Ming, Joseph, Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung. Mr. Au Kwok Lun and Mr. Ou Guo Liang are the sons of Mr. Au Pak Yin. The Directors are considered to have a balance of skills and experience appropriate for the requirements of the business of the Company. Details of the Directors are shown on pages 20 to 21 of this annual report.

During the year ended 31 December 2014, 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	3/4
Mr. Ou Guo Liang	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
Mr. Yeung Kwok Keung	1/1	4/4

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

Corporate Governance Report (continued)

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

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

Chairman and Chief Executive Officer

The Board appointed Mr. Au Pak Yin as the Chairman, who was responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues were discussed by the Board in a timely and constructive manner.

The Board appointed Mr. Au Kwok Lun as the Chief Executive Officer, who was delegated with the responsibilities of operations, business development, investor relations and public relations of the Group. The Board also comprises Independent Non-Executive Directors who bring strong independent judgement, knowledge and experience to the Board. As noted under the section of Audit Committee of this report, all the Audit Committee members are Independent Non-Executive Directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

Independent Non-Executive Directors

Mr. Yeung Kwok Keung is re-appointed for another three-year term on 1 August 2014 and other Independent Non-Executive Directors are re-appointed for another three-year term on 13 June 2014.

The Board also confirmed receipt of the annual confirmation letter from each of the Independent Non-Executive Directors confirming his independence for the year ended 31 December 2014.

Remuneration Committee

The Board has established a Remuneration Committee ("RC"). The RC comprises of Mr. Lai Ming Joseph (Chairman), Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung, who are all Independent Non-Executive Directors and Mr. Au Kwok Lun who is an Executive Director. During the year ended 31 December 2014, the RC had reviewed the remuneration policy and remuneration packages of the Directors and senior management.

For the year ended 31 December 2014, the Remuneration Committee held one meeting. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Lai Ming, Joseph (<i>Chairman of RC</i>)	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1
Mr. Au Kwok Lun	1/1
Mr. Yeung Kwok Keung	1/1

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

Corporate Governance Report (continued)

Nomination Committee

The Board has established a Nomination Committee (“NC”). The NC comprises of Mr. Lai Ming Joseph (Chairman), Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung, who are all Independent Non-Executive Directors. During the year ended 31 December 2014, NC had reviewed the policy for the nomination of Directors.

For the year ended 31 December 2014, the Nomination Committee held one meeting. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Lai Ming, Joseph (<i>Chairman of NC</i>)	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1
Mr. Yeung Kwok Keung	1/1

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

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

Auditor’s Remuneration

PricewaterhouseCoopers had been appointed as the auditor of the Group. During the year ended 31 December 2014, total fee of RMB1,360,000 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 (“AC”) established by the Company has clear terms of reference. The Company confirmed receipt of acknowledgement from all directors of their responsibility for preparing the accounts.

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

Corporate Governance Report (continued)

The functions specified in Code Provision C.3.3(a) to (n) of the Corporate Governance Code were included in the Terms of Reference of the Audit Committee. The Terms of Reference of the Audit Committee also explains the role and the authority delegated by the Board.

Two meetings were convened by the AC during the year ended 31 December 2014. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Lai Ming, Joseph (<i>Chairman of Audit Committee</i>)	2/2
Mr. Meng Yan	2/2
Mr. Xu Guangmao	2/2
Mr. Yeung Kwok Keung	2/2

During the year ended 31 December 2014, the AC discussed and reviewed the final results of 2013 and interim results of 2014 and other reports for the year. Also, the AC met with the external auditor to discuss auditing and internal control matters.

Directors' Training

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

Company Secretary's Training

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

Corporate Governance Report (continued)

Internal Controls

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

Shareholders' Rights

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

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

Investor Relations

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

Independent Auditor's Report



羅兵咸永道

To the shareholders of Jolimark Holdings Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jolimark Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 88, which comprise the consolidated and company balance sheets as at 31 December 2014, 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

Independent Auditor's Report (continued)

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 2014, 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, 30 March 2015

Balance Sheets

As at 31 December 2014

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Group		Company	
		2014	2013	2014	2013
ASSETS					
Non-current assets					
Property, plant and equipment	6	91,985	88,725	—	—
Land use rights	7	9,166	9,455	—	—
Intangible assets	8	8,730	389	—	—
Investments in subsidiaries	9	—	—	214,044	212,997
Investments accounted for using the equity method		89	95	—	—
Available-for-sale financial assets	10	4,480	4,480	—	—
Deferred income tax assets	21	560	—	—	—
Restricted cash	17	30,100	60,000	—	—
		145,110	163,144	214,044	212,997
Current assets					
Inventories	12	95,917	118,191	—	—
Trade and other receivables	13	43,563	39,509	—	—
Amounts due from subsidiaries	13	—	—	209,434	165,120
Financial assets at fair value through profit or loss	14	8,779	7,641	—	—
Structured deposits in a bank	15	30,000	31,500	—	—
Restricted cash	17	60,390	10,257	—	—
Cash and cash equivalents	16	223,645	199,634	1,088	906
		462,294	406,732	210,522	166,026
Total assets		607,404	569,876	424,566	379,023
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	18	102,806	99,088	102,806	99,088
Other reserves	19	217,428	208,653	213,034	212,965
Retained earnings	29				
— proposed final dividend	31	50,000	35,000	50,000	35,000
— unappropriated retained earnings		18,453	23,019	298	1,635
		388,687	365,760	366,138	348,688
Non-controlling interests		75	44	—	—
Total equity		388,762	365,804	366,138	348,688

Balance Sheets (continued)

As at 31 December 2014

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Group		Company	
		2014	2013	2014	2013
LIABILITIES					
Non-current liabilities					
Borrowings	20	27,896	83,313	27,896	27,296
Deferred income tax liabilities	21	—	2,325	—	—
		27,896	85,638	27,896	27,296
Current liabilities					
Trade and other payables	22	100,432	103,221	930	930
Amounts due to subsidiaries	22	—	—	2,212	2,109
Current income tax liabilities		6,715	5,469	—	—
Borrowings	20	83,599	9,744	27,390	—
		190,746	118,434	30,532	3,039
Total liabilities		218,642	204,072	58,428	30,335
Total equity and liabilities		607,404	569,876	424,566	379,023
Net current assets		271,548	288,298	179,990	162,987
Total assets less current liabilities		416,658	451,442	394,034	375,984

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

The notes on pages 36 to 88 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2014
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2014	2013
Revenue	5	548,762	581,313
Cost of goods sold	24	(357,684)	(419,807)
Gross profit		191,078	161,506
Other income	23	9,858	11,215
Selling and marketing costs	24	(30,466)	(30,140)
Administrative expenses	24	(45,053)	(43,048)
Research and development expenses	24	(24,005)	(20,927)
Other (losses)/gains — net	26	(677)	3,313
Operating profit		100,735	81,919
Finance costs — net	27	(2,791)	(226)
Share of losses of investments accounted for using the equity method		(11)	(2)
Profit before income tax		97,933	81,691
Income tax expenses	28	(15,297)	(13,972)
Profit for the year		82,636	67,719
Profit attributable to:			
— Shareholders of the Company		82,605	67,706
— Non-controlling interests		31	13
		82,636	67,719
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
— Basic	30	0.147	0.121
— Diluted	30	0.146	0.121

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

The notes on pages 36 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(All amounts in Renminbi thousands unless otherwise stated)

	2014	2013
Profit for the year	82,636	67,719
Other comprehensive income for the year	—	—
Total comprehensive income for the year	82,636	67,719
Total comprehensive income for the year attributable to:		
— Shareholders of the Company	82,605	67,706
— Non-controlling interests	31	13
	82,636	67,719

The notes pages 36 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company			Non- controlling interests	Total equity
	Share capital and premium (note 18)	Other reserves (note 19)	Retained earnings		
Balance at 1 January 2013	176,649	201,682	36,570	31	414,932
Comprehensive income					
Profit for the year	—	—	67,706	13	67,719
Contributions by and distributions to the shareholders of the Company recognised directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	—	6,494	(6,494)	—	—
Share options granted to employees	—	477	—	—	477
Dividends	(77,561)	—	(39,763)	—	(117,324)
	(77,561)	6,971	(46,257)	—	(116,847)
Balance at 31 December 2013	99,088	208,653	58,019	44	365,804
Balance at 1 January 2014	99,088	208,653	58,019	44	365,804
Comprehensive income					
Profit for the year	—	—	82,605	31	82,636
Contributions by and distributions to the shareholders of the Company recognised directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	—	8,706	(8,706)	—	—
Share options granted to employees	—	1,049	—	—	1,049
Exercise of share option	3,718	(980)	—	—	2,738
Dividends (note 31)	—	—	(63,465)	—	(63,465)
	3,718	8,775	(72,171)	—	(59,678)
Balance at 31 December 2014	102,806	217,428	68,453	75	388,762

The notes on pages 36 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
Cash generated from operations	32	122,134	133,229
Income tax paid		(16,936)	(13,443)
Interest paid		(2,726)	(1,685)
Net cash generated from operating activities		102,472	118,101
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,420)	(12,334)
Purchase of intangible assets		(2,208)	—
Acquisition of interest in an associate		—	(5)
Acquisition of a subsidiary		(5,952)	—
Loans to a joint venture		(2,551)	—
Purchases of available-for-sale financial assets		—	(724)
Purchase of structured deposits in a bank		(30,000)	(31,500)
Proceeds from structured deposits in a bank		31,500	30,000
Interests received		6,618	6,643
Net cash used in investing activities		(16,013)	(7,920)
Cash flows from financing activities			
Bank deposits pledged for borrowings		(20,000)	(70,000)
Proceeds from borrowings		28,002	66,480
Repayments of borrowings		(9,744)	—
Dividends paid to shareholders of the Company		(63,465)	(117,324)
Exercise of share options		2,738	—
Net cash used in financing activities		(62,469)	(120,844)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		199,634	210,632
Exchange gains/(losses) on cash and cash equivalents		21	(335)
Cash and cash equivalents at end of the year	16	223,645	199,634

The notes on pages 36 to 88 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

1. General Information

- (a) Jolimark Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Law (2003 Revision) of the Cayman Islands. The address of its registered offices is Clifton House, 75 Fort Street, PO Box 1350 GT, George Town, Grand Cayman, Cayman Islands.
- (b) The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) are manufacture and sale of printers, tax control equipment and other electronic products manufacturing in the People’s Republic of China (the “PRC”).
- (c) The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 29 June 2005.
- (d) These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 30 March 2015.

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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) Effect of adopting new standards and amendments to standards

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014. The adoption of these new and amended standards and interpretations does not have significant impact to the results or financial position of the Group.

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) 21	Levies
HKFRS/HKAS (Amendment)	Annual improvements 2010–2012 cycle
HKFRS/HKAS (Amendment)	Annual improvements 2011–2013 cycle
HKAS19 (Amendment)	Defined Benefit Plans: Employee Contributions
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities

(b) New and amended standards and interpretations issued but are not effective for financial year ended 31 December 2014 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKAS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 (Amendment) and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS/HKAS (Amendment)	Annual improvements 2012–2014 Cycle	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2014.

(a) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

(i) Business combinations (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

(iii) Disposal of subsidiaries

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

(c) Associates

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management of the Company 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 — net”. All other foreign exchange gains and losses are presented in the consolidated income statement within “other (losses)/gains — net”.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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. The carrying amount of the replace part is derecognized. 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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.5 Property, plant and equipment (continued)

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 remaining lease term or the operating license period, whichever is shorter.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Proprietary technology

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

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

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 (losses)/gains — net” in the period in which they arise.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available for sale

The Group assesses at the end of each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the equity investments below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit of loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 entities purchase 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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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.

2.17 Borrowing cost

General and specific 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis differences (continued)

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.

2.19 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 expenses 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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.19 Employee benefits (continued)

(c) Share-based compensation

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

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

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

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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.

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2014, if RMB had strengthened/weakened by 0.4% against the US\$ and HK\$ with all other variables held constant, post-tax profit for the year would be higher/lower by RMB307,000 (2013: if RMB had strengthened/weakened by 3% against the US\$ and HK\$ with all other variables held constant, post-tax profit for the year would be higher/lower by RMB2,079,000), which is mainly attributable to net result of exchange differences on translation of US\$ and HK\$ denominated trade receivables, cash and cash equivalents, borrowings and trade payables.

(ii) Interest rate risk

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

The Group's major interest-bearing liabilities are borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest risk. As at 31 December 2014, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit would have been RMB465,000 lower/higher (2013: RMB389,000), mainly as a result of higher/lower interest expenses on these variable rate borrowings.

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group which are 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 2014, 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 RMB746,000 (2013: RMB649,000) as a result of the changes in the listed equity securities.

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

(b) Credit risk

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

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

Credit risk related to trade and other receivables is the risk that the receivables cannot be collected on the due date. The Group has policies in place to ensure that sales of goods are made to customers with a good credit quality based on assessment of ageing of trade receivables, repayment history, the customers' financial position and other factors. As at 31 December 2014, 76% of trade receivables are due from three major customers of the Group (2013: 64%). For bills receivable, the Group will only accept selected bank acceptance bills issued by large or medium sized commercial banks in the PRC, and with maturity periods normally not more than 6 months. Management considers the default risk from these bank acceptance bills are low as they consider that PRC financial market is highly regulated and bankruptcy or default of PRC financial institutions should be rare.

(c) Liquidity risk

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

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years
Group			
At 31 December 2014			
Borrowings	84,838	28,288	—
Trade and other payables	75,103	—	—
At 31 December 2013			
Borrowings	11,505	83,989	—
Trade and other payables	82,339	—	—
Company			
At 31 December 2014			
Borrowings	28,177	28,288	—
Amounts due to subsidiaries	2,212	—	—
Trade and other payables	930	—	—
At 31 December 2013			
Borrowings	603	27,531	—
Amounts due to subsidiaries	2,109	—	—
Trade and other payables	930	—	—

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets as shown on the consolidated balance sheet. As at 31 December 2014, the total borrowings for the Group is RMB111,495,000 (2013: RMB93,057,000) and the gearing ratio is 18% (2013: 16%).

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial Risk Management (continued)

3.3 Fair value estimation

The different levels of fair value hierarchy are defined as follows:

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

Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

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

The financial assets at fair value through profit or loss of the Group as at 31 December 2014 are measured at fair value in level 1. The financial assets at fair value through profit or loss of the Group are traded in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets at fair value through profit or loss held by the Group is the current bid price.

Available-for-sale financial asset as at 31 December 2014 is equity investment in a private company in Taiwan, which is measured at fair value in level 3.

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

During the year ended 31 December 2014, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

4. Critical Accounting Estimates and Judgements (continued)

(a) Net realisable value of inventories

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

(b) Provision for impairment of trade and other receivables

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

(c) Income tax and deferred tax

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

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. During the year, the Group has invested in certain new businesses, i.e. mobile payment and Yingmei.me O2O Cloud printing business. The said other businesses were in trial run stage, only incurred expenses of approximately RMB2,044,000 during the year ended 31 December 2014 which is not material to the Group's consolidated financial statements and therefore has not been disclosed as a separate segment.

The CODM assesses the performances of the operating segments based on a measure of segment revenue and segment results. Segment results exclude other income, administrative expenses, research and development expenses, other (losses)/gains-net, finance costs-net and income tax expenses, which are centrally managed for the Group.

Notes to the Consolidated Financial Statements (continued)

(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 2014 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	442,425	106,337	548,762
Segment results	137,455	23,146	160,601
Other income			9,858
Administrative expenses			(45,053)
Research and development expenses			(24,005)
Other losses — net			(677)
Finance costs — net			(2,791)
Income tax expenses			(15,297)
Profit for the year			82,636
Segment results include:			
Share of losses of investments accounted for using the equity method	(11)	—	(11)
Depreciation and amortisation	(6,035)	(2,841)	(8,876)

Notes to the Consolidated Financial Statements (continued)

(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 2013 are as follows:

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

(a) Revenues from external customers are for sales of goods. There are no inter-segment sales for the year ended 31 December 2014 (2013: nil).

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

	2014	2013
In the PRC	415,295	434,809
In other countries	133,467	146,504
	548,762	581,313

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

(d) As at 31 December 2014, the Group's non-current assets are mainly located in the PRC.

Notes to the Consolidated Financial Statements (continued)

(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 2013						
Cost	56,665	126,630	14,587	2,402	6,949	207,233
Accumulated depreciation	(10,796)	(91,905)	(11,153)	(1,446)	(5,173)	(120,473)
Net book amount	45,869	34,725	3,434	956	1,776	86,760
Year ended 31 December 2013						
Opening net book amount	45,869	34,725	3,434	956	1,776	86,760
Additions	—	10,937	549	161	687	12,334
Disposals	—	(1,799)	(124)	—	(263)	(2,186)
Depreciation	(1,449)	(5,617)	(534)	(180)	(403)	(8,183)
Closing net book amount	44,420	38,246	3,325	937	1,797	88,725
At 31 December 2013						
Cost	56,665	135,768	15,012	2,563	7,373	217,381
Accumulated depreciation	(12,245)	(97,522)	(11,687)	(1,626)	(5,576)	(128,656)
Net book amount	44,420	38,246	3,325	937	1,797	88,725
Year ended 31 December 2014						
Opening net book amount	44,420	38,246	3,325	937	1,797	88,725
Acquisition of subsidiaries (note 34)	—	—	55	—	—	55
Additions	—	13,669	467	599	—	14,735
Disposals	—	(161)	(11)	(116)	(5)	(293)
Depreciation	(1,449)	(7,903)	(1,295)	(217)	(373)	(11,237)
Closing net book amount	42,971	43,851	2,541	1,203	1,419	91,985
At 31 December 2014						
Cost	56,665	149,276	15,523	3,046	7,368	231,878
Accumulated depreciation	(13,694)	(105,425)	(12,982)	(1,843)	(5,949)	(139,893)
Net book amount	42,971	43,851	2,541	1,203	1,419	91,985

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

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

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

	2014	2013
Cost of goods sold	7,955	6,359
Administrative expenses	2,890	1,579
Selling and marketing costs	392	245
	11,237	8,183

7. Land Use Rights – Group

At 1 January 2013

Cost	11,550
Accumulated amortisation	(1,806)
Net book amount	9,744

Year ended 31 December 2013

Opening net book amount	9,744
Amortisation	(289)
Closing net book amount	9,455

At 31 December 2013

Cost	11,550
Accumulated amortisation	(2,095)
Net book amount	9,455

Year ended 31 December 2014

Opening net book amount	9,455
Amortisation	(289)
Closing net book amount	9,166

At 31 December 2014

Cost	11,550
Accumulated amortisation	(2,384)
Net book amount	9,166

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

7. Land Use Rights – Group (continued)

The land is outside Hong Kong and held on leases of 40 years, with remaining useful life of 32 years (2013: 33 years).

Amortisation of RMB289,000 (2013: RMB289,000) is included in the cost of goods sold in the consolidated income statement.

8. Intangible Assets – Group

	Goodwill Note (a)	Proprietary technology	Total
At 1 January 2013			
Cost	—	1,344	1,344
Accumulated amortisation	—	(827)	(827)
Net book amount	—	517	517
Year ended 31 December 2013			
Opening net book amount	—	517	517
Amortisation	—	(128)	(128)
Closing net book amount	—	389	389
At 31 December 2013			
Cost	—	1,344	1,344
Accumulated amortisation	—	(955)	(955)
Net book amount	—	389	389
Year ended 31 December 2014			
Opening net book amount	—	389	389
Acquisition of subsidiaries (note 34)	5,742	631	6,373
Addition	—	2,208	2,208
Amortisation	—	(240)	(240)
Closing net book amount	5,742	2,988	8,730
At 31 December 2014			
Cost	5,742	4,183	9,925
Accumulated amortisation	—	(1,195)	(1,195)
Net book amount	5,742	2,988	8,730

Amortisation of RMB240,000 (2013: RMB128,000) is included in the cost of goods sold in the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

8. Intangible Assets – Group (continued)

(a) Impairment tests for goodwill

The goodwill of the Group as at 31 December 2014 arose in the acquisition of Shenzhen Coolwi Technology Company Limited (“Coolwi”) (note 34). For the purpose of impairment testing, the goodwill was allocated to Coolwi which is a cash generating unit (“CGU”). The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a ten-year period. The businesses of Coolwi were at the initial operation stage as of 31 December 2014. Given the nature of the businesses, management projected that it would take a longer period to start to generate profit and realise the synergy effect in the market. As a result, a longer period of financial forecast was adopted by management for the projected cash flows. Cash flows beyond the ten-year period are extrapolated using the estimated growth rates stated below.

The key assumptions have been used for the analysis of value-in-use calculations in 2014 are as follows:

	Mobile payment and Yingmei.me O2O Cloud printing
Average annual growth rate of revenue (within the first ten years)	18%–135%
Long term growth rate of revenue (after the first ten years)	3.11%
Pre-tax discount rate	15%

Average annual growth rate is based on management’s expectations of market development.

The long term growth rate used is consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. Investments in Subsidiaries – Company

	2014	2013
Investments in unlisted shares, at cost	211,751	211,751
Share options granted to employees of subsidiaries	2,293	1,246
	214,044	212,997

The following is a list of the subsidiaries at 31 December 2014:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/paid-in capital	Attributable equity interest held
<i>Directly held by the Company</i>				
Ying Mei Investment Limited	The British Virgin Islands (the "BVI")	Investment holdings/ PRC	US\$50,000	100%
Kong Yue Investment Limited	BVI	Investment holdings/ PRC	US\$50,000	100%
<i>Indirectly held by the Company</i>				
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%

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. Investments in Subsidiaries – Company (continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/paid-in capital	Attributable equity interest held
Jolimark Information Technology (China) Limited*	PRC	Manufacturing and sales of Jolimark branded products/ PRC	RMB50,000,000	100%
Jiangmen Kong Yue Jolimark Tax Control Services Limited	PRC	Marketing of tax control equipment/PRC	RMB500,000	95%
Jolimark Printing Solutions (Hong Kong) Limited	Hong Kong	Wholesale of business equipment and tax control equipment/ Hong Kong	HK\$10,000	100%
Advanced Inkjet Systems Limited ("Advance Inkjet")	Taiwan	Research and development of the inkjet print heads	TWD3,700,000	100%
Coolwi (note 34)	PRC	Research and development of the Internet of Things	RMB1,000,000	100%

All the subsidiaries are limited liability companies.

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

10. Available-for-sale Financial Assets – Group

	2014	2013
Beginning of the year	4,480	3,756
Addition	—	724
	4,480	4,480

Amount represents an investment in a private company in Taiwan whose principal activities are research, development and manufacturing of inkjet print heads in Taiwan. As at 31 December 2014, the Group held 9.2% equity interests of this company.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

11. Financial Instruments by Categories

Group

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale	Total
Assets as per consolidated balance sheet				
At 31 December 2014				
Available-for-sale financial assets	—	—	4,480	4,480
Trade and other receivables, excluding prepayments (note 13)	—	40,753	—	40,753
Financial assets at fair value through profit or loss (note 14)	8,779	—	—	8,779
Structured deposits in a bank	—	30,000	—	30,000
Restricted cash (note 17)	—	90,490	—	90,490
Cash and cash equivalents (note 16)	—	223,645	—	223,645
	8,779	384,888	4,480	398,147
At 31 December 2013				
Available-for-sale financial assets	—	—	4,480	4,480
Trade and other receivables, excluding prepayments (note 13)	—	37,746	—	37,746
Financial assets at fair value through profit or loss (note 14)	7,641	—	—	7,641
Structured deposits in a bank	—	31,500	—	31,500
Restricted cash (note 17)	—	70,257	—	70,257
Cash and cash equivalents (note 16)	—	199,634	—	199,634
	7,641	339,137	4,480	351,258
Other financial liabilities				
Liabilities as per consolidated balance sheet				
At 31 December 2014				
Borrowings (note 20)				111,495
Trade and other payables				75,103
At 31 December 2013				
Borrowings (note 20)				93,057
Trade and other payables				82,339

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

11. Financial Instruments by Categories (continued)

Company

	Loans and receivables
Assets as per balance sheet	
At 31 December 2014	
Amounts due from subsidiaries (note 13)	209,434
Cash and cash equivalents (note 16)	1,088
	210,522
At 31 December 2013	
Amounts due from subsidiaries (note 13)	165,120
Cash and cash equivalents (note 16)	906
	166,026
Other financial liabilities	
Liabilities as per balance sheet	
At 31 December 2014	
Borrowings (note 20)	55,286
Amounts due to subsidiaries (note 22)	2,212
Trade and other payables (note 22)	930
	58,428
At 31 December 2013	
Borrowings (note 20)	27,296
Amounts due to subsidiaries (note 22)	2,109
Trade and other payables (note 22)	930
	30,335

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. Inventories – Group

	2014	2013
Raw materials	74,092	88,293
Work in progress	4,288	4,001
Finished goods	17,537	25,897
	95,917	118,191

The cost of inventories recognised in the consolidated income statement amounted to RMB360,385,000 (2013: RMB421,634,000).

During the year, the write-down of inventories amounted to RMB5,427,000 (2013: RMB8,605,000) and has been recognised as cost of goods sold in the income statement.

13. Trade and Other Receivables

	Group		Company	
	2014	2013	2014	2013
Trade receivables				
– Third parties	20,565	23,723	–	–
– Related parties (note 35)	3,273	906	–	–
	23,838	24,629	–	–
Less: allowance for impairment of receivables	–	(4,660)	–	–
Trade receivables – net	23,838	19,969	–	–
Bills receivable (note (b))	2,430	6,726	–	–
Prepayments	2,810	1,763	–	–
Other receivables				
– Third parties	9,271	10,978	–	–
– Receivables from related parties (note 35)	5,214	73	–	–
Amounts due from subsidiaries (note (a))	–	–	209,434	165,120
	43,563	39,509	209,434	165,120

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

13. Trade and Other Receivables (continued)

- (b) As at 31 December 2014 and 2013, 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 2014, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	2014	2013
Less than 30 days	11,790	10,050
31–90 days	8,316	7,259
91–180 days	732	1,629
181–365 days	464	862
Over 365 days	2,536	4,829
	23,838	24,629

- (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 2014, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2014, trade receivables of RMB3,000,000 (2013: RMB5,691,000) are past due but not impaired (31 December 2013: trade receivables of RMB5,691,000 were past due, out of which RMB4,660,000 were impaired). The ageing analysis of these trade receivables is as follows:

	Group	
	2014	2013
Past due but not impaired:		
181–365 days	464	862
Over 365 days	2,536	169
Impaired:		
Over 365 days	—	4,660

Trade receivables past due but not impaired relate to a number of customers with no recent history of default.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

13. Trade and Other Receivables (continued)

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

	Group		Company	
	2014	2013	2014	2013
RMB	21,562	23,255	—	—
US\$	14,491	12,339	—	—
HK\$	4,700	2,152	209,434	165,120
	40,753	37,746	209,434	165,120

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

	Group	
	2014	2013
Balance at 1 January	4,660	4,471
Provision for receivable impairment during the year	—	284
Receivables written off as uncollectible during the year	(4,660)	(95)
Balance at 31 December	—	4,660

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

14. Financial Assets at Fair Value Through Profit or Loss – Group

	2014	2013
Listed equity securities in the PRC — stated at market value	8,779	7,641

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

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

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

15. Structured Deposits in a Bank – Group

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

16. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
Cash at bank and in hand	223,645	199,634	1,088	906

	Group		Company	
	2014	2013	2014	2013
Denominated in:				
RMB	210,075	176,059	—	—
US\$	10,791	20,860	—	—
HK\$	1,924	1,929	1,088	906
Other currencies	855	786	—	—
	223,645	199,634	1,088	906

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

17. Restricted Cash – Group

	2014	2013
Non-current		
Guarantee deposits for loans (note (a))	30,000	60,000
Guarantee deposits for bidding	100	—
Current		
Guarantee deposits for loans (note (b))	60,000	10,000
Guarantee deposits for bidding	390	257
	90,490	70,257

Notes:

- (a) Amounts represent cash deposited in a bank as security for the Group's bank borrowing of HK\$35,360,000 (equivalent to RMB27,896,000) (2013: HK\$71,250,000, equivalent to RMB56,017,000) (note 20 (a)).
- (b) Amounts represent cash deposited in a bank as security for the Group's bank borrowing of HK\$71,250,000 (equivalent to RMB56,209,000) (2013: US\$1,600,000, equivalent to RMB9,744,000) (note 20 (c)).

18. Share Capital and Premium

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
Balance at 31 December 2014 and 2013	10,000,000,000	100,000			
Issued and fully paid					
Balance at 1 January 2013	559,992,000	5,600	5,963	170,686	176,649
Dividends	—	—	—	(77,561)	(77,561)
Balance at 31 December 2013	559,992,000	5,600	5,963	93,125	99,088
Balance at 1 January 2014	559,992,000	5,600	5,963	93,125	99,088
Exercise of share options (note 19(a)(iii))	3,559,987	36	29	3,689	3,718
Balance at 31 December 2014	563,551,987	5,636	5,992	96,814	102,806

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. Other Reserves

(a) Group

	Merger reserve (note (i))	Statutory reserve fund and enterprise expansion fund (note (ii))	Share option reserve (note (iii))	Capital reserve	Total
Balance at 1 January 2013	136,904	64,529	769	(520)	201,682
Share options granted to employees	—	—	477	—	477
Transfer from retained earnings	—	6,494	—	—	6,494
Balance at 31 December 2013	136,904	71,023	1,246	(520)	208,653
Balance at 1 January 2014	136,904	71,023	1,246	(520)	208,653
Share options granted to employees	—	—	1,049	—	1,049
Exercise of share option	—	—	(980)	—	(980)
Transfer from retained earnings	—	8,706	—	—	8,706
Balance at 31 December 2014	136,904	79,729	1,315	(520)	217,428

Notes:

- (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.
- (ii) The main business of the Group is conducted by Kongyue Information, which is a foreign investment company based in Xinhui City of the PRC. In accordance with relevant rules and regulations applicable to foreign investment company in the PRC, Kongyue Information is required to make appropriations from net profit, after offsetting accumulated losses from prior years, to Statutory Reserve Fund and Expansion Fund before it distributes profit to its shareholders. The appropriation to Statutory Reserve Fund should be 10% of its profit after taxation calculated under PRC accounting rules and regulations, until the accumulated total of the fund reaches 50% of the registered share capital of the company and appropriation to Enterprise Expansion Fund is solely determined by the board of directors of the company. The Statutory Reserve Fund can be used to offset accumulated losses brought forward from prior years or, upon approval by the relevant authority to increase the share capital of the company, the Enterprise Expansion Fund can only be used to increase share capital of the company upon approval by the relevant authority.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. Other reserves (continued)

(a) Group (continued)

Notes: (continued)

(iii) Share options reserve

The following tables disclose details of the Company's share options held by the employees and movements in such holding during the year.

For the year ended 31 December 2014:

Date of grant	Exercise price per share HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 31 December 2014
				Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	
3 July 2008	0.63	3 July 2008 to 3 July 2011	3 July 2008 to 3 July 2014	300,000	—	(300,000)	—	—
22 July 2011	1.00	22 July 2011 to 22 July 2015	22 July 2011 to 22 July 2017	5,490,000	—	(3,259,987)	(150,000)	2,080,013
10 December 2013	1.18	10 December 2013 to 10 December 2017	10 December 2013 to 10 December 2019	5,600,000	—	—	(100,000)	5,500,000
17 December 2014	1.70	17 December 2014 to 17 December 2018	17 December 2014 to 17 December 2020	—	19,800,000	—	—	19,800,000
				11,390,000	19,800,000	(3,559,987)	(250,000)	27,380,013
			Exercisable at the end of the year	—	—	—	—	2,120,013
			Weighted average exercise price	HK\$1.08	HK\$1.70	HK\$0.97	HK\$1.07	HK\$ 1.54

For the year ended 31 December 2013:

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. Other Reserves (continued)

(a) Group (continued)

Notes: (continued)

(iii) Share options reserve (continued)

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.

Out of the 27,380,013 outstanding options (2013: 11,390,000), 2,120,013 options (2013: 3,045,000) were exercisable. Options exercised in 2014 resulted in 3,559,987 shares (2013: nil) were issued at a weighted average price of HK\$0.97 each (2013: nil). The related weighted average share price at the time of exercise was HK\$1.92 (2013: nil) per share.

The fair value of share options granted in 2014 determined using the "binomial valuation model" was RMB7,990,000 (equivalent to HK\$10,135,000). The significant inputs into the model were weighted average share prices of HK\$1.70 at the grant date, exercise price shown above, expected volatility of 75.83%, expected dividend yield of 15.84%, and expected share option life of 6 years and an annual risk-free interest rate of 1.374%.

(b) Company

	Contributed surplus (note (i))	Share option reserve (note (a)(iii))	Total
Balance at 1 January 2013	211,719	769	212,488
Share option granted to employees	—	477	477
Balance at 31 December 2013	211,719	1,246	212,965
Balance at 1 January 2014	211,719	1,246	212,965
Share option granted to employees	—	1,049	1,049
Exercise of share option	—	(980)	(980)
Balance at 31 December 2014	211,719	1,315	213,034

Notes:

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

20. Borrowings

	Group		Company	
	2014	2013	2014	2013
Non-current				
Unsecured bank borrowings	—	27,296	—	27,296
Secured bank borrowings (note (a))	27,896	56,017	27,896	—
	27,896	83,313	27,896	27,296
Current				
Unsecured bank borrowings (note (b))	27,390	—	27,390	—
Secured bank borrowings (note (c))	56,209	9,744	—	—
	83,599	9,744	27,390	—
Balance at 31 December 2014	111,495	93,057	55,286	27,296

Notes:

- (a) Amount represents bank borrowings of HK\$35,360,000 (equivalent to RMB27,896,000), which bear an interest of 1.75% per annum over one-month HIBOR, were repayable within two years and are secured by the Group's bank deposit of RMB30,000,000.
- (b) Amount represents bank borrowings of HK\$34,720,000 (equivalent to RMB27,390,000), which bear an interest of 2% per annum over one-month HIBOR, were repayable within one year.
- (c) Amount represents bank borrowings of HK\$71,250,000 (equivalent to RMB56,209,000), which bear an interest of 1.8% per annum, were repayable within one year and are secured by the Group's bank deposit of RMB60,000,000.

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

The Group has the following undrawn borrowing facilities:

	As at	
	31 December 2014	31 December 2013
Floating rate:		
— expiring within one year	73,538	74,743
— expiring after one year	1,294	—
	74,832	74,743

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

21. Deferred Income Tax – Group

	2014	2013
Deferred income tax asset to be recovered within 12 months	(2,396)	—
Deferred income tax asset to be recovered after more than 12 months	(84)	(104)
Deferred income liabilities to be payable within 12 months	1,920	2,429
Deferred tax (assets)/liabilities — net	(560)	2,325

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

	2014	2013
Balance at 1 January	2,325	3,582
Credit to the consolidated income statement	(2,885)	(1,257)
Balance at 31 December	(560)	2,325

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 2013	3,693	122	3,815
Credited to the consolidated income statement	(1,271)	(115)	(1,386)
At 31 December 2013	2,422	7	2,429
At 1 January 2014 (Credited)/charge to the consolidated income statement	2,422 (627)	7 118	2,429 (509)
At 31 December 2014	1,795	125	1,920

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

21. Deferred Income Tax – Group (continued)

Deferred income tax assets	Difference of carrying amount of equipment over the tax bases	Tax losses	Total
At 1 January 2013	(233)	—	(233)
Charged to the consolidated income statement	129	—	129
At 31 December 2013	(104)	—	(104)
At 1 January 2014	(104)	—	(104)
Charge/(credited) to the consolidated income statement	20	(2,396)	(2,376)
At 31 December 2014	(84)	(2,396)	(2,480)

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 RMB318,000 (2013: RMB7,175,000) in respect of the tax losses amounting to approximately RMB1,554,000 (2013: RMB29,501,000). As at 31 December 2014, the tax losses of certain group companies amounting to RMB1,382,000 and RMB172,000 will be expired within 2 years and from 2 to 5 years, respectively.

22. Trade and Other Payables

	Group		Company	
	2014	2013	2014	2013
Trade payables				
– Third parties	32,785	51,932	—	—
– An associate	1,128	1,077	—	—
– Related parties (note 35)	2,845	2,742	—	—
	36,758	55,751	—	—
Amounts due to subsidiaries	—	—	2,212	2,109
Other payables to third parties	57,296	44,176	—	—
Dividends payable	975	975	930	930
Advances from customers	5,403	2,319	—	—
	100,432	103,221	3,142	3,039

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

22. Trade and Other Payables (continued)

At 31 December 2014, the ageing analysis of the trade payables, including amounts due to related parties of trading nature, were as follows:

	2014	2013
Less than 30 days	19,711	23,843
31–90 days	13,304	15,928
91–180 days	985	8,761
181–365 days	35	2,482
Over 365 days	2,723	4,737
	36,758	55,751

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

	Group		Company	
	2014	2013	2014	2013
RMB	81,179	74,359	—	—
US\$	8,618	10,137	—	—
HK\$	3,764	9,022	3,142	3,039
Other currencies	1,468	7,384	—	—
	95,029	100,902	3,142	3,039

23. Other income

	2014	2013
Interest income of bank deposits	6,974	7,684
Incentive subsidy	204	831
Repair and maintenance service income — net	2,680	2,700
	9,858	11,215

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

24. Expenses by Nature

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

	2014	2013
Depreciation of property, plant and equipment and amortisation of land use rights and intangible assets (notes 6, 7 and 8)	11,766	8,600
Raw materials and consumables recognised in cost of goods sold and expenses	329,218	391,891
Provision for impairment of receivables	2,288	189
Write-off of other receivables	—	585
Employee benefit expenses (note 25)	68,788	66,144
— Cost of goods sold	23,212	23,384
— Selling and marketing costs	8,916	8,450
— Administrative expenses	24,394	24,521
— Research and development expenses	12,266	9,789
Operating leases — building	2,797	2,053
Transportation expenses	6,657	6,641
Auditor's remuneration	1,558	1,632
Advertising and promotion fees	4,813	4,065
Others	29,323	32,122
	457,208	513,922

25. Employee Benefit Expenses

	2014	2013
Wages and salaries	58,197	56,767
Share options granted to employees (note 19(a))	1,049	477
Staff welfare and insurance	5,832	5,448
Pension costs — defined contribution plans	3,710	3,452
	68,788	66,144

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

25. Employee Benefit Expenses (continued)

(a) Emoluments of directors and senior management

The remuneration of directors of the Company for the year ended 31 December 2014 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	205	1,122	—	—	75	—	—	—	1,402
Mr. Au Kwok Lun (Chief executive officer)	205	963	—	—	95	13	—	—	1,276
Mr. Ou Guo Liang	205	227	—	—	95	13	—	—	540
Mr. Lai Ming, Joseph*	205	—	—	—	—	—	—	—	205
Mr. Meng Yan*	103	—	—	—	—	—	—	—	103
Mr. Xu Guangmao*	103	—	—	—	—	—	—	—	103
Mr. Yeung Kwok Keung*	205	—	—	—	—	—	—	—	205
	1,231	2,312	—	—	265	26	—	—	3,834

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

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

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

25. Employee Benefit Expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2013: three) out of the five highest paid individuals during the year are as follows:

	2014	2013
Salaries and other benefits	2,974	3,138
Share options	51	49
Retirement scheme contributions	118	143
	3,143	3,330

The emoluments fell within the following bands:

	2014	2013
Nil to RMB1,000,000	2	2
RMB1,000,000 to RMB2,000,000	1	1

26. Other (Losses)/Gains – Net

	2014	2013
Gains/(losses) on financial assets at fair value through profit or loss – net	917	(478)
Dividend income of financial assets at fair value through profit or loss	226	451
(Losses)/gains from disposal of machinery and equipment	(293)	1,182
Foreign exchange (losses)/gains – net	(1,527)	2,158
	(677)	3,313

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

27. Finance Costs – Net

	2014	2013
Interest expenses on bank borrowings	(2,611)	(1,800)
Exchange (losses)/gains on bank borrowings	(180)	1,574
	(2,791)	(226)

28. Income Tax Expenses

	2014	2013
Current income tax expenses		
– Hong Kong profits tax (note (a))	(81)	(933)
– PRC corporate income tax (note (b))	(14,101)	(12,296)
– PRC dividend withholding tax (note (c))	(4,000)	(2,000)
	(18,182)	(15,229)
Deferred income tax	2,885	1,257
	(15,297)	(13,972)

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:

	2014	2013
Profit before tax	97,933	81,691
Tax calculated at tax rates applicable to profits in the respective entities of the Group	(16,144)	(12,375)
Tax losses for which no deferred income tax asset was recognised	(54)	(47)
Recognition of tax losses brought forward from prior years	2,396	–
Utilisation of previously unrecognised tax losses	2,801	1,165
Expenses not deductible for tax purposes	(296)	(715)
Income tax	(11,297)	(11,972)
PRC withholding income tax	(4,000)	(2,000)
	(15,297)	(13,972)

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

28. Income Tax Expenses (continued)

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2014 (2013: 16.5%).

(b) PRC corporate income tax

The main business of the Group is conducted by Kongyue Information, which is a foreign investment company based in Xinhui City, the PRC. The corporate income tax (the "CIT") of Kongyue Information is provided for on the basis of its profit reported in the PRC statutory financial statements, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT rate is 25%. In addition, the CIT Law provides, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). Kongyue Information was qualified as HNTE for three years from 2014 to 2016, and therefore it enjoyed a preferential CIT rate at 15% for the year ended 31 December 2014 (2013: 15%). The effective CIT rate of other Group entities in the PRC is 25% (2013: 25%).

(c) PRC dividend withholding tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed out from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. During the year, the Group has made provision for withholding income tax of RMB4,000,000 (2013: RMB2,000,000). The Group has not made provision of deferred income tax of RMB2,930,000 (31 December 2013: RMB3,395,000) for the unremitted earnings of the PRC subsidiaries of RMB58,604,000 (31 December 2013: RMB67,890,000) 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 (2013 Revision) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Subsidiaries of the Company in the BVI are incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from income tax in the BVI.

29. Retained Earnings of the Company

	2014	2013
Balance at 1 January	36,635	30,678
Profit for the year	77,128	45,720
Dividend (note 31)	(63,465)	(39,763)
Balance at 31 December	50,298	36,635

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

30. Earnings Per Share

— Basic

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

	2014	2013
Profit attributable to the shareholders of the Company (RMB'000)	82,605	67,706
Weighted average number of ordinary shares in issue (shares in thousands)	562,036	559,992
Basic earnings per share (RMB per share)	0.147	0.121

— Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company for the year) 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.

	2014	2013
Profit attributable to the shareholders of the Company (RMB'000)	82,605	67,706
Weighted average number of ordinary shares in issue (shares in thousands)	562,036	559,992
Adjustments for share options (shares in thousands)	3,818	102
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	565,854	560,094
Diluted earnings per share (RMB per share)	0.146	0.121

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

31. Dividends

	2014	2013
Interim dividend (note (a))	28,218	20,036
Proposed final dividend (note (b))	50,000	35,247
Proposed special dividend (note (b))	15,000	—
	93,218	55,283

Notes:

- (a) Interim dividends in respect of six months ended 30 June 2014 of HK\$0.063 per ordinary share (six months ended 30 June 2013: HK\$0.045 per ordinary share) totaling approximately HK\$35,475,000 (equivalent to RMB28,218,000) have been declared out of retained earnings of the Company at the board meeting on 22 August 2014 (six months ended 30 June 2013: RMB20,036,000).
- (b) At the board of directors meeting held on 30 March 2015, the directors of the Company proposed a final dividend for the year ended 31 December 2014 of HK\$0.105 per ordinary share approximately HK\$63,163,000 (equivalent to RMB50,000,000, based on the number of ordinary shares in issue as of 30 March 2015) out of retained earnings of the Company and a special dividend of HK\$0.031 per ordinary share approximately HK\$18,949,000 (equivalent to RMB15,000,000, based on the number of ordinary shares in issue as of 30 March 2015) out of share premium of the Company. These proposed dividends have not been reflected as dividends payable in these consolidated financial statements for the year ended 31 December 2014, but will be reflected as dividends distribution for the year ending 31 December 2015.

A final dividend in respect of 2013 of HK\$0.079 per ordinary share approximately HK\$44,422,000 (equivalent to RMB35,247,000) have been declared out of retained earnings of the Company in the Company's Annual General Meeting on 12 May 2014, which have been paid in 2014.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

32. Cash Generated from Operating Activities

	2014	2013
Profit for the year	82,636	67,719
Adjustments for:		
— Income tax expenses	15,297	13,972
— Depreciation of property, plant and equipment	11,237	8,183
— Amortisation of land use rights	289	289
— Amortisation of intangible assets	240	128
— Losses/(gains) from disposal of property, plant and equipment	293	(1,182)
— Impairment loss of other receivables	2,288	—
— Interest income	(6,974)	(7,684)
— Share options granted to employees	1,049	477
— Finance costs — net	2,791	226
— Exchange (gains)/losses on cash and cash equivalents	(21)	335
— Share of losses of investments accounted for using the equity method	11	2
	109,136	82,465
Changes in working capital:		
— Inventories	22,510	18,925
— Trade and other receivables	(3,299)	193
— Restricted cash	(233)	426
— Financial assets at fair value through profit or loss	(1,138)	7,672
— Trade and other payables	(4,842)	23,548
Cash generated from operations	122,134	133,229

33. Commitments — Group

Operating lease commitments

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

	2014	2013
No later than 1 year	1,352	1,608
Later than 1 year and not later than 5 years	825	500
	2,177	2,108

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

34. Business Combinations

On 14 July 2014, the Group acquired 100% equity interest in and obtained the control of Coolwi, a PRC registered high-tech company engaged in research and development of internet technology and electronic products, at the consideration of RMB6,000,000.

The goodwill of RMB5,742,000 arising from the acquisition is attributable to the acquired employee work force and synergy effect in the internet market expected from combining the operations of Coolwi.

The following table summarises the consideration paid for Coolwi, the fair value of identifiable assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Consideration:	
At 14 July 2014	
– Cash	6,000
Total consideration	6,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	48
Property, plant and equipment (note 6)	55
Inventories	236
Intangible asset (note 8)	631
Trade and other receivables	136
Other payables	(848)
Total identifiable net assets	258
Goodwill (note 8)	5,742

No revenue contributed by Coolwi was included in the consolidated income statement since 14 July 2014. Coolwi incurred a loss of RMB2,044,000 over the same period.

Had Coolwi been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of RMB548,762,000 and net profit of RMB80,733,000.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

35. Related-party Transactions

(a) Name and relationship with related parties

Name	Relationship
Au Family	Beneficial owner of the Company including Mr. Au Pak Yin, Ms. Tai Noi Kit, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Ms. Ou Ri Ai
Close Au Family Members	Close family members of Au Family
Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision")	Company controlled by Close Au Family Members
Jiangmen Kong Yue Information Products Import Export Limited ("KY Import/Export")	Company controlled by 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
Gowin Technology International Holdings Limited ("Gowin")	Joint venture of the Group

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

35. Related-party Transactions (continued)

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

	2014	2013
(i) Purchase of goods and molds (note (b-1))		
– Guangdong Precision	17,344	17,633
– Guangdong Zhongding	3,570	5,667
– Jiangmen Yida	6,784	7,485
	27,698	30,785
(ii) The remuneration of executive directors of the Company and other members of key management of the Group during the year was as follows:		
– Salary and other short-term employee benefits	4,885	4,054
– Share options	117	91
– Retirement scheme contribution	52	50
	5,054	4,195
(iii) Year-end balances with related parties (note (b-2))		
Trade and other receivables from related parties (note 13)		
– KY Import/Export	3,273	906
– Industrial Park	2,926	73
– Gowin (note (b-3))	2,288	2,053
	8,487	3,032
Trade payables to related parties (note 22)		
– Guangdong Zhongding	686	758
– Jiangmen Yida	904	814
– Guangdong Precision	1,255	1,170
	2,845	2,742

Notes:

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

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

(b-3) During the year, the Group has advanced loans to Gowin of HK\$3,200,000, equivalent to RMB2,551,000 (31 December 2013: RMB2,053,000). The loans to Gowin as at 31 December 2014 amounted to HK\$5,800,000, equivalent to RMB4,576,000, which are guaranteed by the joint venture partner, interest free and repayable by instalments in October 2014, January 2015 and March 2015. As at 31 December 2014, a provision of RMB2,288,000 was made as to a portion of the loan receivables were overdue.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

36. Subsequent Events

- (a) Pursuant to a final civil judgment from the Supreme Court of the PRC received by the Group in January 2015, the Group was awarded compensation of RMB30 million in relation to an alleged breach by a former supplier in an exclusive distribution agreement with the Group. Having deducted the amount of RMB4 million received in 2012, the remaining sum of RMB26 million was received in January 2015 which will be taken up as other gain in the Group's consolidated financial statements for the year ending 31 December 2015.
- (b) On 5 February 2015, the Company has completed a placing of an aggregate of 40,000,000 new shares at the placing price of HK\$1.70 per share.

37. 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 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
ASSETS					
Non-current assets					
Property, plant and equipment	91,985	88,725	86,760	84,127	88,843
Land use right	9,166	9,455	9,744	10,033	10,322
Intangible assets	8,730	389	517	662	807
Investments accounted for using the equity method	89	95	92	97	161
Available-for-sale financial assets	4,480	4,480	3,756	500	500
Deferred income tax assets	560	—	—	—	61
Restricted cash	30,100	60,000	—	—	—
	145,110	163,144	100,869	95,419	100,694
Current assets					
Inventories	95,917	118,191	137,116	180,014	137,499
Trade and other receivables	43,563	39,509	38,661	66,972	62,216
Financial assets at fair value through profit or loss	8,779	7,641	15,313	11,883	18,688
Structured deposits in a bank	30,000	31,500	30,000	—	—
Restricted cash	60,390	10,257	683	586	72,532
Cash and cash equivalents	223,645	199,634	210,632	170,116	257,483
	462,294	406,732	432,405	429,571	548,418
Total assets	607,404	569,876	533,274	524,990	649,112
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	102,806	99,088	176,649	176,649	224,428
Other reserves	217,428	208,653	201,682	197,066	193,879
Retained earnings					
— Proposed final dividend	50,000	35,000	19,911	28,123	—
— Retained earnings	18,453	23,019	16,659	21,108	25,855
	388,687	365,760	414,901	422,946	444,162
Non-controlling interests	75	44	31	24	15,982
Total equity	388,762	365,804	414,932	422,970	460,144
LIABILITIES					
Non-current liabilities					
Borrowings	27,896	83,313	28,151	—	—
Deferred income tax liabilities	—	2,325	3,582	3,786	—
	27,896	85,638	31,733	3,786	—
Current liabilities					
Trade and other payables	100,432	103,221	82,926	96,948	120,399
Current income tax liabilities	6,715	5,469	3,683	1,286	750
Borrowings	83,599	9,744	—	—	67,819
	190,746	118,434	86,609	98,234	188,968
Total liabilities	218,642	204,072	118,342	102,020	188,968
Total equity and liabilities	607,404	569,876	533,274	524,990	649,112
Net current assets	271,548	288,298	345,796	331,337	359,450
Total assets less current liabilities	416,658	451,442	446,665	426,756	460,144

Five-year Financial Summary (continued)

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated income statement

	2014	2013	2012	2011	2010
Revenue	548,762	581,313	456,875	559,600	467,491
Cost of goods sold	(357,684)	(419,807)	(342,159)	(421,066)	(361,975)
Gross profit	191,078	161,506	114,716	138,534	105,516
Other income	9,858	11,215	8,973	7,704	6,657
Selling and marketing costs	(30,466)	(30,140)	(30,370)	(30,816)	(25,680)
Administrative expenses	(45,053)	(43,048)	(35,288)	(51,179)	(45,296)
Research and development expenses	(24,005)	(20,927)	(15,412)	*	*
Other (losses)/gains — net	(677)	3,313	8,719	502	(3,862)
Operating profit	100,735	81,919	51,338	64,745	37,335
Finance (costs)/income — net	(2,791)	(226)	(498)	985	1,220
Share of losses of investments accounted for using the equity method	(11)	(2)	(5)	(64)	(18)
Profit before income tax	97,933	81,691	50,835	65,666	38,537
Income tax expenses	(15,297)	(13,972)	(10,568)	(10,102)	(7,840)
Profit for the year	82,636	67,719	40,267	55,564	30,697
Attributable to:					
Shareholders of the Company	82,605	67,706	40,260	55,042	28,463
Non-controlling interests	31	13	7	522	2,234
	82,636	67,719	40,267	55,564	30,697
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)					
— Basic	0.147	0.121	0.072	0.098	0.051
— Diluted	0.146	0.121	0.072	0.098	0.051

* The research and development expenses for the years ended 31 December 2011 and 2010 were included in administrative expenses.