2017
Annual Report

Jolimark

Jolimark Holdings Limited
映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2028

Contents

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

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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. Yeung Kwok Keung *(Chairman)*
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Lai Ming, Joseph
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
Nanyang Commercial Bank
Xiamen International Bank
China Guangfa Bank

Stock Code

2028

Website

www.jolimark.com

Chairman's Statement

Dear Shareholders,

In 2017, the Group recorded revenue of approximately RMB373,188,000, representing a decrease of approximately 29% from 2016, and recorded profit attributable to shareholders of the Company of approximately RMB13,853,000 during the year, representing a decrease of approximately 77% from 2016. In 2016, revenue from the sales of printers increased substantially as a result of the full implementation of the "BT to VAT" policy in that year. The surge in demand in 2016 resulted in the decreased demand for invoice printers in 2017. Moreover, the Group terminated the EMS manufacturing business in 2017.

The revenue generated from the printer business (accounting for approximately 98% of the Group's revenue) amounted to approximately RMB367,482,000, representing a decrease of approximately 22% compared with 2016. The revenue generated from the other electronic products business (accounting for approximately 2% of the Group's revenue) amounted to approximately RMB5,706,000, representing a decline of approximately 90% compared with 2016.

In its development plan, the Company is positioning itself as a provider of hardware and software cloud applications with printing as its core technology. It has developed the technology of Printer (hardware) as a Cloud Application and will focus on tax-control, business, commercial, and personal applications to upgrade itself from a hardware distributor and tax control service provider to a service provider and operator. For example, customers can open different Apps in different scenarios to print by simply scanning QR codes using WeChat, with neither App installation nor internet connection required. This strategy uses printing as our core technology and our key to the market to carry out business in 7 major directions and areas including printing equipment, cloud printing application, tax control solution, new retail solution, video conference and online video education system, glimmer and smog video processing system and enterprise cloud application. For this reason, the Company has set up 4 business units, for exploring separate but inter-related business areas at the same time, with the purpose of achieving synergy and better understanding of the needs of customers in different fields, and be able to react quickly to customer needs.

On top of this, the Company has been engaging in the development of applications relating to printing as well as web pages for interaction with customers' mobile phones. It has created the Kamo New Retail system and online sales platform which turns ads displayed on customers' mobile phones into traffic for store owners on the Kamo platform. For example, the ads played on the page where the cloud printing and other cloud applications interact with customers' mobile phones can bring operating income for distributors and service providers as they sell printers or Kamo New Retail systems. Also, the Company has established an open platform for QR Code-scanning application market to attract third-party (corporate or personal) applications and launch them on the Company's cloud application platform.

We are looking forward to 2018 as a year when the Company will be in transformation with new challenges and new hope. With the attractive opportunities brought about by the 7 main businesses, I believe the Company will enjoy continuous and stable development.

Finally, on behalf of the board of directors, I would like to express our 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 the efforts, enthusiasm and optimism of the entire staff, 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, 22 March 2018

Management's Discussion and Analysis

Business Review

Printer Business

For the year ended 31 December 2017, the revenue of the Group derived from the printer business amounted to approximately RMB367,482,000, representing a decrease of approximately 22% compared with 2016, and accounted for approximately 98% of the total revenue of the Group. Revenue from the sales of printers increased substantially in 2016 as a result of the full implementation of the "BT to VAT" policy in that year. The surge in demand in 2016 resulted in the decreased demand for invoice printers in 2017.

Other Electronic Products Business

For the year ended 31 December 2017, the revenue of the Group derived from other electronic products business amounted to approximately RMB5,706,000, representing a decrease of approximately 90% as compared with 2016, and accounted for approximately 2% of the total revenue of the Group. The decrease in revenue was mainly due to the termination of the EMS manufacturing business by the Group in 2017.

Future Business Outlook

Based on the solid technology that the Company has reaped from years of engagement in the printing equipment business, and the rich experience accumulated in the development and promotion of mobile internet applications in recent years, we have positioned the Company as a cloud application provider combining hardware and software services and has worked out its strategy of "printer as cloud application". We see printing as our core technology and our key to the market and have accordingly adopted 7 major business directions and areas including printing equipment, cloud printing application, tax control solution, new retail solution, video conference and online video education system, glimmer and smog video processing system and enterprise cloud application. These businesses are large and growing and can bring good opportunities for continuous and stable development of the Company. For this reason, the Company has set up 4 business units, aimed at exploring separate but inter-related business areas at the same time, thus achieving synergy, understanding the needs of customers in different fields, and reacting quickly to customer needs. We are looking forward to 2018 as a year when the Company will be in transformation with new challenges and new hope, and our prospect for future businesses are as follows:

Printing Equipment

After years of development, our printing equipment now comprises a comprehensive range of reliable products, with a large and stable user base. All our products are self-developed, and we have ownership of all of the intellectual property rights. The Company has mastered core technologies for the dot-matrix print head and inkjet head, supported by an industry chain which provides us with an economy of scale, cost advantage and brand influence. The Company's printing equipment could be categorized as the dot-matrix printer, inkjet printer, dot-matrix mini-printer, thermal mini-printer, portable printer and label/barcode printer, for the printing of invoices, bills, statements, passbooks, cards, receipts, labels, barcodes, documents and other materials, at service counters, offices, commercial sectors, financial sectors, transportation, logistics, medical units and households. In 2018, the Company will introduce a new family of dot-matrix printer products including printers with paper width of 80/82 columns, 106/110 columns and 136 columns which are characterized by industry-leading printing speed, paper feed thickness, functions, ribbon life and cost performance. As for our inkjet printers, beside the usual office and family models, we have continuous paper feeding models for usage in areas such as health care, calligraphy and label printing, where competitive products are few. Various multi-purpose color inkjet printers will be introduced to the market soon. Our mini-printer with the function of preventing missing print job is favored by more and more users for receipts printing. Color label/barcode printers are soon to be put into market as well, which can completely replace large printing machine for highmix and small volume label and box printing for multi brands and models in flexible production system that is gradually rising at the time. The ink cartridges for inkjet printers developed by the Company are also unique with features including water-proof, alcohol-proof, ultraviolet rays-proof, which are suitable for all kinds of notes and data printing for long term preservation.

Cloud Printing Application

Cloud printing is the most important achievement in the Company's research and development in recent years and is now being gradually transformed into a weapon to go into new markets and to upgrade our position in the market. The Company's cloud printing applications are made up of cloud printing open platforms and cloud printing printers. The Cloud printing open platform has now covered thermal printers, label printers, inkjet printers and dot-matrix printers, providing reliable, safe and easy-to-use cloud printing service for our customers. The private cloud customization solution service can be customized according to the user's requirements for private data security and concurrent printing. Products successfully developed and put into the market by the Company include electronic invoice cloud printers, electronic invoice self-service cloud printing terminals, homework cloud printers, share cloud printers, corporate cloud printers and service counter cloud printers. More cloud printing products will be launched as new applications continue to be developed. Cloud printer application is not just a simple product, it directly connects with user's application systems to achieve rapid deployment and reduce customer cost. Therefore, the Company and its competitors are no longer just competing on price and specs. We will win over customers by helping them to streamline and offer them new solutions. The recent market practice has proved that the Company's strategy of "cloud printing" is successful. Besides, cloud printing uses mobile phone code-scanning as the means of access, which attracts new customers to our new retail business or operate as an advertising business. The Company is also organizing the development of an advertising platform and a service provider management platform. In the future, dealers will not only benefit from selling the products, but also from the platform's service fee and advertising income, which turns them into service providers. Thus, the Company and its dealers are no longer in a simple trading relationship, but enter into a long-term win-win eco-system.

Management's Discussion and Analysis (continued)

Tax Control Solution

The Company has been engaged in the research, development and promotion of tax control products and the provision of tax control solutions for customers for many years and has accumulated a wealth of experience in the field of tax control. The Company follows the national tax control policy and develops corresponding tax control products promptly. We are an important tax control solution and product provider in China. The State Administration of Taxation issued document No.31 in March 2017, which stipulated that taxpayers are obliged to provide hardcopy of electronic invoices if the customer demands on the spot. In respect to this policy, the Company quickly launched inkjet printers in red and black colors and has successfully developed "Electronic Invoice Self-Service Cloud Printer" in collaboration with WeChat. Customers can print electronic invoice with red seal themselves with WeChat barcode scanning. It is so far the most popular and successful solution for electronic invoice self-service printing. Also, according to the tax policy, invoice should include taxation number, name of customers and goods. The Company has developed a software called "Jolimark Invoicing Assistant", which enables customers to print out invoices with title by a simple scan on WeChat. It also includes the unique functions of e-mail sending and electronic invoice printing through WeChat code scanning. The "Retail Invoicing Assistant" to be put on the market soon can achieve auto filling of invoices, which speeds up the invoicing process, and is able to solve merchants' invoicing problems. The software packaged for the promotion of our dot-matrix printer become a value-added service for our distributors, helping them to increase revenue and loyalty to the Company. The Company is currently developing "Jolimark Invoicing Platform", which supports multipoint electronic invoice issuing and the issuing of VAT/normal invoices. The platform also supports tax control server and golden tax server and provides cloud invoicing interface via open platform and invoicing services to third-party software vendors, helping third parties achieve the integration solution of cashier, invoicing and invoice printing. The Company's other tax control products include: Jolimark Tax Control Box, Invoicing All-in-One Machine, Portable Invoicing All-in-One Machine, Portable Invoicing Printer, Electronic Invoice Self-Service Terminal, Enterprise Invoicing Reimbursement Management System and so on. The tax control products will constitute a powerful, comprehensive solution to satisfy all tax control requirements and satisfies varied demands.

New Retail Solution

The new retail solutions launched by the Company will benefit from the fact that it has the same customer base as the Company's strong tax control business and cloud printing application business, and by using the mobile phone scanning system to access our cloud printing application, users will be able to attract customers and advertisers to our new retail business at no additional cost. For example, by promoting and deploying 50,000 cloud printers (assuming 100 customers will use the printer every day), 5 million to 10 million ads can be issued per day. Millions and tens of millions of ads per day can have a huge market effect. Therefore, the market promotion of the Company's new retail business solution has a high starting point. As for the products, the Company offers both hardware and software in a full package, providing a complete solution for our customers while offering a more sticky and competitive solution as we develop new products. Food take-out printer uses cloud printing technology to dock with take-out platforms and can automatically print without using a PC and the attention of a staff member, realizing multiple printings under one order, meeting the needs of front desk and the kitchen. One machine can dock with multiple take-out platforms, such as Meituan and Eleme, satisfying all printing needs. The machine can also print out business reports for merchants. The POS system not only comes with the cashier and invoicing system, but it can also complete Kamo membership management system, invoice system, and retail, catering, beauty industry or takeaway industry management system according to customers' needs. The applet printers and self-service terminals can integrate functions like queuing, ordering, paying, billing and so on. One printer of terminal along with customer's phones can complete the information management of the merchants. Latte printer, manicure printer, and tattoo printer, along with graphic design open platform, through profit sharing, we can attract designers to design varies of fashion patterns for the customers without having to employ designers. The vending machine on the other hand cooperates with Kamo retail management system, which solves booking, payment, invoice, pick up at one time. Among them, as the core of new retail products – Kamo membership system, through continuous effort, the system has grown into a powerful and versatile comprehensive management system: membership management, store management, activity management, coupon management, mall sale, aggregate payment, sharing propagation, salesman management, distributor management, transaction report and so on. And realizes a seamless docking with the catering, retail, beauty, takeout and billing industry. In addition, the Company is going to develop electronic commerce delivery management system to solve the conundrum of choosing the best delivery scheme from multiple warehouses. It offers perfect solution for electronic commerce sellers. The software systems for new retail all apply the SaaS software, charging users according to the duration of use. As with cloud printing, all dealers can enjoy the division of service fees in the long run, so dealers can upgrade to service providers, and grow with the Company.

Management's Discussion and Analysis (continued)

Video Conference and Online Video Education System

The Company's video conference and online video education system derives from the technology of live broadcast, which enables users to access high definition video conferencing, interactive education and medical diagnosing via the Internet. The system has an unique advantage in promoting communication efficiency between colleagues, users or teachers and students; it can also reduce the frequency of business trips and overcome geospatial obstacles, improving work efficiency while lowering costs. Leveraging on the advantage of abundant high-quality education resources, it has partly replaced business trips, on-site training, or on-site consultation and become an effective new model for telecommuting, teaching and medical treatment. The system adopts CDN technology in video transmission, supplemented by its own video codec technology, which can save bandwidth by 50%, greatly reducing the cost of video conference and video education. The Company uses bandwidth intelligence adaptive optimization and applies it to resolution, frame rate and voice system. We also use quality feedback, speech priority, package loss compensation, automatic frame reduction and so on, which can obtain high quality video even in cases of heavy package loss. These technologies also effectively solve the delay issue, enabling video quality to reach the level of conference and educational system demand. The system can achieve online multi-user video interaction, multi-screen output, cloud-platform remote control and so on, meaning the hosting conference room can be switched at any time during video conference, and attendees can have a much more realistic conference. As for video education, in addition to the interaction between teachers and students, teachers can assign any student to answer questions and all other attendees of the conference and students can watch him/her answer. The system features a built-in Augmented Reality (AR) system, which allows teachers to display pleasant pictures on the background during conference or class to add vigor and liveliness to the conference or class so that attendees and students finish the conference or class with pleasure. The main functions include multiple audio and video interactions, electronic whiteboard, dynamic PPT, file sharing, synergetic browsing, media playback, desktop sharing, text exchange, file transmission, conference/class recording, conference/class control, log in management and so on. In the meantime, the Company will develop supporting hardware for our video system, such as directional microphones, web cams, remote-controlled cradle heads and speakers and so on.

Glimmer and Smog Video Processing System

Video plays an important role in the application and management of road transportation, water and air transportation, streets and squares, airports, military security, underwater operation and so on. But under certain circumstances, such as at night, hazy or rainy days, the videos recorded usually fail to meet the needs and require special treatment. The Company has invested in the development of a glimmer and smog video processing system. Such system can cover video recording under circumstances such as glimmer, smog, night, raining and under-water, and can process other environments according to customers' needs. Processed videos has a quality as if it was recorded under perfect lightings and weather condition, and the time delay of video processing can be controlled within the actual requirements. For example, takeoffs and landings of airplanes require almost real-time video monitoring. Such technology has a high threshold and requires experts from different fields to develop together. Upon completion of development, a large number of intellectual property rights, such as software copyright, patent and technical secrets, will be created. This lays a solid technological foundation for the Company's venture into the field of glimmer and smog video processing. The glimmer and smog video processing system consists of server software system, glimmer and smog video processing machine and glimmer and smog video camera. Of these components, the server system includes server end and client, where users upload videos through the clients to the server, which are processed before being returned to the users. The Company derives revenue from service fees. The glimmer and smog video processing system machine is developed by the Company, and it is specially designed with the distinguishing feature of video processing which has higher processing speed, less time delay, and can process multichannel videos and achieve mass storage, creating a high value. Glimmer and smog video camera is integrated with glimmer and smog video processing system, which can output videos with higher resolutions and replace varies cameras in different systems, lowering the promotion threshold. Based on the needs of the application scenario, different models of single camera len, dual camera lens , and tri camera lens will be introduced to meet customers demand.

Enterprise Cloud Application

Based on the Company's cloud printing open interface, third-party developers (enterprises or individuals) are able to develop a variety of enterprise applications in the cloud and publish it on the Company's cloud application platform. Users pay for the service, and third-party developers can profit from the payment. This will attract a larger number of third-party developers to the Company's cloud printing platform and enrich the Company's cloud printing applications, especially enterprise applications of the cloud, thereby fulfilling the demand of more customers, which promotes the sales of the Company's cloud printing products and forms a benign cycle and Matthew effect. In addition, the Company will also develop an enterprise cloud application system based on the needs of the market, or develop some light, practical cloud application based on WeChat/Alipay applets or H5 pages.

Financial Review

Results Summary

For the year ended 31 December 2017, the Group's turnover amounted to approximately RMB373,188,000, representing a decrease of approximately 29% as compared with last year. The profit attributable to shareholders of the Company amounted to approximately RMB13,853,000, representing a decrease of approximately 77% as compared with last year. The basic earnings per share were approximately RMB0.021 (31 December 2016: RMB0.098). The decrease in the profit attributable to shareholders was mainly due to the decrease of sales in 2017.

Analysis of Sales and Gross Profit

In 2017, the revenue from printer business, which was the main contributor to the total revenue of the Group, amounted to approximately RMB367,482,000, accounting for approximately 98% of total revenue of the Group, whereas the revenue from other electronic products business amounted to approximately RMB5,706,000, accounting for approximately 2% of the revenue of the Group. Compared with 2016, the consolidated revenue of the Group decreased by approximately 29%, which was mainly attributable to the termination of the EMS manufacturing business in 2017 and revenue from the sales of printers increased substantially in 2016 as a result of the full implementation of the "BT to VAT" policy in that year. The surge in demand in 2016 resulted in the decreased demand for invoice printers in 2017.

The Group's consolidated gross profit margin fell slightly from about 37% last year to about 35%. The decrease in gross profit margin is mainly due to the promotion policy of the Group to reduce the weakening of market demand.

Capital Expenditure

For the year ended 31 December 2017, capital expenditure of the Group amounted to approximately RMB12,915,000, which was mainly used for acquisition of production equipment and molds for new products.

Financial and Liquidity Position

As at 31 December 2017, the total assets of the Group amounted to approximately RMB515,322,000 (31 December 2016: RMB589,802,000), controlling shareholder's funds amounted to approximately RMB344,305,000 (31 December 2016: RMB322,107,000); non-controlling interests amounted to approximately RMB(455,000) (31 December 2016: RMB(77,000)); current liabilities amounted to approximately RMB120,651,000 (31 December 2016: RMB213,029,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 2.7 (31 December 2016: 1.9). The increase in current ratio was mainly attributable to a decrease of approximately RMB92,378,000 in current liabilities for the year.

As at 31 December 2017, the cash and cash equivalents, restricted cash, and financial assets at fair value through profit or loss of the Group amounted to approximately RMB249,521,000 (31 December 2016: RMB326,297,000) in aggregate, whereas the bank loans of the Group amounted to approximately RMB80,154,000 (31 December 2016: RMB161,010,000). The Group was in a net cash position after deducting the loans.

As at 31 December 2017, the outstanding bank acceptance bills received from customers amounted to approximately RMB16,682,000 (31 December 2016: RMB5,647,000).

Pledge of Assets

As of 31 December 2017, deposits with certain banks totaling RMB57,960,000 (31 December 2016: RMB127,510,000) were used as security for bank loans facilities, i.e. onshore guarantees for offshore loans. The relevant bank deposits will be released upon the settlement of relevant bank loans.

Foreign Currency Risks

The Group mainly operates in Mainland China with most of the transactions denominated and settled in RMB. However, the Group is exposed to foreign exchange risks for assets and liabilities denominated in United States dollars ("US$"), Taiwanese dollars ("TWD"), Euro and Hong Kong dollars ("HK$") arising from importation of certain raw materials and machinery from overseas suppliers, sales of goods to overseas customers and borrowings that are denominated in foreign currencies. As at 31 December 2017, the Group had more monetary financial liabilities than financial assets outside the Mainland China.

The Group manages and monitors its foreign exchange risks by performing regular review of the Group's net foreign exchange exposures and mitigates the impact of exchange rate fluctuations by reducing the financial liabilities if needed.

Acquisition and Disposal

In April and June 2017, the Group entered into agreements with Wuhan Hong Ruida Information Technology Limited Company ("Hong Ruida"), to further acquire 40% equity interest with a consideration of RMB10,000,000, of which RMB4,000,000 has been paid in 2017. The Group holds 49.19% equity interest of Hong Ruida as at 31 December 2017. Hong Ruida is a high-tech internet operation company incorporated in mainland China, which engages in online education, development of internet video and intelligent video software as well as provision of operation service.

Save as disclosed otherwise, the Group did not have any other material acquisitions or disposals during the year under review.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2017 (31 December 2016: nil).

Staff

As at 31 December 2017, the Group employed a total of 1,140 staffs (2016: 1,431 staffs). Apart from 29 employees employed in Hong Kong and overseas, the rest were based in mainland China. The Group determined its remuneration and bonus policies for all employees with reference to the business results and individual performance of the staff. In addition, fringe benefits, such as social security insurance, medical allowance and housing provident fund, were provided to ensure the competitiveness of the Group. In addition, the Group has adopted a share option scheme with the objective to reward and incentivize its employees.

Proposed Final Dividend and Closure of Register of Members

The Board recommended a final dividend of RMB0.019 per share for the year ended 31 December 2017 to shareholders whose names appear on the register of members on Friday, 1 June 2018. The final dividend will be paid on or before Thursday, 28 June 2018.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB to Hong Kong dollars based on an exchange rate which was the average middle exchange rates for RMB to Hong Kong dollars announced by the People's Bank of China for the week prior to the date of the declaration of the final dividend.

The average of the middle exchange rate for RMB to Hong Kong dollars as announced by the People's Bank of China for the week from Thursday, 15 March 2018 to Wednesday, 21 March 2018 prior to 22 March 2018, the date on which the final dividend was declared RMB0.8070 to HK$1.00. Accordingly, the amount of final dividend payable in Hong Kong dollars will be HK$0.024 per share.

The annual general meeting of the Company will be held on Monday, 21 May 2018. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 16 May 2018 to Monday, 21 May 2018, 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 Tuesday, 15 May 2018.

For determining entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 30 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 29 May 2018.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises Mr. Lai Ming, Joseph as the chairman, and Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung. All of them are independent non-executive Directors. For the year ended 31 December 2017, 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 2017.

Report of the Directors

The Board is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2017.

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 using financial key performance indicators for the year ended 31 December 2017 is set out in the section headed "Management Discussion & Analysis" of this annual report.

Results and Appropriations

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement on page 49.

No interim dividend for the six months ended 30 June 2017 was paid by the Company. At the Board meeting held on 22 March 2018, the Board recommended to declare a final dividend of RMB0.019 per share (2016: final dividend of RMB0.033 per ordinary share) for the year ended 31 December 2017, subject to approval by shareholders at the annual general meeting of the Company.

Reserves

Movements in the reserves of the Group during the year under review 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 2017, 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 RMB44,710,000.

Pre-Emptive Rights

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

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

Issue of New Shares and Use of Proceeds

Placing of Existing Shares and Subscription of New Shares

On 19 January 2017, the Company, Kytronics Holdings Limited ("Kytronics") as vendor and Changjiang Securities Brokerage (HK) Limited as the placing agent entered into the placing and subscription agreement (the "2017 Placing and Subscription Agreement") pursuant to which the placing agent has agreed to place an aggregate of 18,000,000 shares of the Company (the "Placing Shares") at the price of HK$1.65 per Placing Share to not less than six placees on behalf of Kytronics (the "Placing"). The Placing was completed on 24 January 2017.

Pursuant to the 2017 Placing and Subscription Agreement, Kytronics has also conditionally agreed to subscribe for an aggregate of 18,000,000 new shares of the Company (the "Subscription Shares") at the price of HK$1.65 per Subscription Share (the "Subscription", together with the Placing, the "Top-up Placing"). The Subscription Shares were issued under the general mandate granted by the shareholders to the Directors at the annual general meeting held on 17 May 2016. The Subscription was completed on 26 January 2017.

The Subscription Shares represent (i) approximately 2.82% of the issued share capital of the Company as at the date of the 2017 Placing and Subscription Agreement, and (ii) approximately 2.74% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Based on the closing price of the Shares of HK$1.81 per share on 19 January 2017, the date of the 2017 Placing and Subscription Agreement, the Subscription Shares have a market value of HK$32.58 million and an aggregate nominal value of HK$180,000.

The net proceeds (after deducting all applicable costs and expenses of the Top-up Placing) was approximately HK$29 million, which the Company would use for the development of the Company's new mobile payment business. As at 31 December 2017, all the net proceeds from the Top-up Placing is currently held in cash and cash equivalents and will be applied in the manner consistent with the intended use disclosed.

Issue of shares pursuant to share option scheme

During the year ended 31 December 2017, the Company has allotted and issued 65,000, 657,000 and 137,500 new shares pursuant to the exercise of the share options granted pursuant to the share option scheme adopted by the Company on 13 June 2005 at the exercise prices of HK$1.00, HK$1.18 and HK$1.70, respectively.

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 2017.

Major Risks and Uncertain Factors

The operations and results of the Group are subject to the effects of various factors, some are specific to the dot-matrix printer sector and some are external. The following are the major risks and uncertain factors identified by the Group:

(a) Policy Risk

The sale of dot-matrix invoice printers is one of the principal businesses of the Group. The PRC State's taxation policies may affect the above-mentioned business of the Group, in particular, the implementation of the "BT to VAT" policy by the State may increase the market demand for the above-mentioned printers. However, the implementation schedule of the "BT to VAT" policy involves many complementary policies and relevant preparation and the details and scope of such policy and implementation are uncertain to some extent.

The electronic invoicing (limited to regular value added tax invoice) currently under pilot testing of the State may reduce the market demand for dot-matrix printers. The materialization of electronic evidence accounting of electronic invoicing requires complementary policies and relevant technical preparation, and may need some time before extension to full utilization. In response to such risk, the Group developed cloud printing technologies with printing as its core technology and market starting point. The Company has launched or will launch the continuous paper feeding inkjet printers, inkjet printers in red and black colors, electronic invoice cloud printer and electronic invoice self-service cloud printing terminal which are more suitable for electronic invoice printing. The Company is developing "Jolimark Invoicing Platform" to support multipoint invoicing for electronic invoices and cloud invoicing interfaces.

(b) Macroeconomic Risk

The domestic macro-economy has been seizing down since 2015, which may lead to expenses tightening by the government or other sectors, and the demand in dot-matrix printers may decrease. In its future development plan, the Group has positioned itself as a cloud-based application service provider combining hardware and software. To this end, the Company will expand the application of printing devices, provide cloud printing application services and various tax control solutions, launch other new services, optimize product structures and marketing strategies and expand both domestic and overseas sales channels.

(c) Risk of New Business

Some of the Group's businesses such as new retail business (including Kamo Cash and membership system), cloud printing application, video conference and online video education system, POS all-in-one terminal and inkjet printers are new businesses or new products of the Group. Their successful launch or marketing will help the Company transform and upgrade, as well as open up new markets and win new customers. However, their development and prospects are affected by the development progress, technical difficulties and market factors which are subject to uncertainties.

(d) Risk of Supply Chain

To guarantee that the products are of high quality, the Group procures part of the highly sophisticated parts or chips from overseas, (amongst others) the quality, delivery schedule and the production capacity of the manufacturers of the relevant parts and components may affect the product quality, production capacity and sales and the implementation of marketing strategies of the Group to a certain extent. The Group controls or reduces the supply chain risk that may exist by measures such as entering into quality guarantee agreement and procurement framework agreement with the suppliers, stocking buffer inventories, enhancing communications with suppliers as well as enhancing administration and control over the quality of the manufacturing system.

(e) Risk of Competition

As online marketing becomes popular, together with the emergence of new small scale dot-matrix printer manufacturers, the competition of the dot-matrix printer sector which the Group operates has become more and more intensified and price competition among other competitors and other marketing measures may affect the gross profit and market share of the products of the Group to certain extent. Therefore, the Group is required to continuously improve the core technology of the products, develop new models suitable for industry sales, optimize suppliers resources, reasonably reduce procurement cost, enhance administration of the supply chain and product quality, increase investment in marketing activities, strengthen the administration of distribution channel and outlet terminals, increase industry-targeted marketing efforts, strengthen the cooperation with e-commerce platforms such as JD.com and WeChat Mall as well as strengthen the development of Tmall store and Jolimark WeChat shop, thereby expanding sales in various channels and enhancing core competitiveness continuously, so as to maintain profitability at reasonable level and expand market shares.

There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Discussion on Environmental, Social and Governance Issues

Important relationship

(i) Employee

Adhering to its "people-oriented" philosophy, the Group places much emphasis on knowledge, talents and innovations, and regards human resources as one of its greatest assets; and aligns the development of the Group with the personal career development of all employees. The Group intends to continue to be an attractive employer which provides a broad development platform for employees.

We strive to motivate employees with a clear career development path and by offering desirable skills training opportunities. We provide all-round orientation training, on-the-job training, and enhancement training, as well as adequate development opportunities for our employees. The training programmes cover practical skills, management skills, sales and production, customer service, quality control, exhibition planning, case analysis, standards and norms, work ethics and other industry related training.

We have established a trade union and a number of staff clubs, which allocate special funds on a monthly basis to provide a wide variety of leisure and cultural activities to our employees. Free medical check-ups are provided annually for all employees on a regular basis, while pre-job, on-the-job and post-job health examinations are arranged for staff in specific positions. We have set up a suggestion box to collect feedback from employees, and we care for our employees with an aim to enhance their sense of belonging to the Group. We conduct an employee satisfaction survey annually, and take seriously their valuable feedback on how to improve the work environment, enhance efficiency, create a harmonious workplace and so on.

In addition, we offer competitive remuneration for our employees. At the end of each year, we give year-end bonus to and raise the salary of our employees based on the performance of our operations. We have also adopted a share option scheme and an award system to recognize and reward those employees who have contributed to the growth and development of the Group.

(ii) Supplier

The Group has established long-term close relationship with a number of suppliers, and we do our best to ensure such suppliers comply with our commitments in respect of quality, environmental protection, low carbon operation, safety and ethical conducts. We select our suppliers carefully and require them to meet a number of assessment indicators, including track record, experience, financial strength, and reputation, the capability to produce high quality products, quality control effectiveness, environmental protection and safety requirements. On-site evaluations would be arranged as needed to verify if the suppliers meet our assessment standards. We also require our suppliers to comply with our anti-corruption policy. We are dedicated to maintaining a fair partnership which is mutually beneficial with our suppliers.

(iii) Distributor

The Group sells its products to end users through third party distributors. We work closely with our distributors to raise the standard of our brand value and customer service, focusing particularly on reaching a mutually agreed approach to attracting and maintaining customers to promote sales growth.

We require distributors and sub-distributors to comply with our retail policy, including but not limited to a national standard retail price, unified store image, promotional activities, after-sale maintenance and so on.

(iv) Customer

The Group strives to offer different types of computer peripherals with different specifications at competitive prices with excellent product quality and after-sale services. We regard customer needs as our first priority, and we seek to improve customer satisfaction. We also provide customized product design and technical support. We maintain a VIP database and communicate with customers via different channels, such us our website, after-sales service hotline, mail, marketing materials and social media. We also work with distributors to provide trainings for their major front-line sales personnel to offer quality and value-added services to our end users at the retail stores.

Environmental protection policy

The Group focuses on the preservation of natural resources and strives to create an environmentally-friendly work environment. The Group is committed to reduce its impact on the environment through reducing electricity consumption, promoting the recycling of packaging materials, office supplies and other materials, and designing and selling products which have passed the environmental labeling certification and energy saving certification.

Our environmental management system has been certified to the ISO14001 standard, and the impact of environmental factors during the whole process of production and sales is under control. All wastes are properly disposed of and hazardous wastes are delivered to qualified recyclers. We have also established and realized our environmental goals, indicators and management plans.

There is a large area of green space within the production facilities of the Group, which accounts for more than 40% of the total area. We also require our suppliers to strictly abide by the relevant environmental regulations and rules, and provide supervision and encouragement to them in the course of cooperation. We have obtained all the necessary permits and approvals from the relevant regulatory authorities in China.

Compliance with laws and regulations

The operations of the Group are primarily conducted by subsidiaries of the Company in Mainland China, and the Company is listed on the Stock Exchange. Therefore, the establishment and operations of the Group are subject to relevant laws and regulations of Mainland China and Hong Kong.

We will gather update information on relevant laws and regulations regularly, which cover issues concerning our products, quality, business management, environment and safety, and undergo a compliance assessment to ensure full compliance.

For the year ended 31 December, 2017 and as at the date of this annual report, the Group has complied with all relevant laws and regulations in Mainland China and Hongkong that have significant impact on the operations of the Group.

Share Options

Pursuant to the share option scheme approved by a written resolution of all shareholders of the Company on 13 June 2005 (the "2005 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 2005 Scheme, the Board may, at its discretion, invite any eligible participants, including employees and directors, 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 2005 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 2005 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 2005 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 2005 Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by resolution in general meeting, the 2005 Scheme shall be valid and effective for a period of 10 years commencing on the date on which the 2005 Scheme becomes unconditional. The 2005 Scheme has been terminated on 18 May 2015.

In the annual general meeting of the Company held on 18 May 2015, as the 2005 Scheme was due to expire on 26 June 2015, the shareholders approved to terminate the 2005 Scheme and adopted a new share option scheme (the "2015 Scheme"). The adoption of the 2015 Scheme and the termination of the 2005 Scheme will not in any way affect the terms of the options already granted under the 2005 Scheme, which will continue to be valid and subject to the terms of the 2005 Scheme. The total number of shares available for issue in the 2015 Scheme should be 60,481,950 which is equivalent to 10% of the shares in issue when the 2015 Scheme was adopted by the shareholders. Since adoption, no options have been granted under the 2015 Scheme.

Report of the Directors (continued)

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

Name	Date of grant	Exercise price HK$	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 31 December 2017	Percentage of the issued share capital of the Company as at the date of this report	Exercise period
Employees	22 July 2011	1.00 (Note 2 and 3)	65,000	–	(65,000) (Note 10)	–	**–**	0%	22 July 2012 to 22 July 2017 (Note 1)
Employees	10 December 2013	1.18 (Note 4 and 5)	2,780,500	–	(657,000) (Note 11)	–	**2,123,500**	0.33%	10 December 2014 to 10 December 2019 (Note 1)
Employees	17 December 2014	1.70 (Note 6 and 7)	18,192,500	–	(137,500) (Note 12)	(300,000)	**17,755,000**	2.73%	17 December 2015 to 17 December 2020 (Note 1)
Employees	15 May 2015	2.17 (Note 8 and 9)	12,620,000	–	–	–	**12,620,000**	1.94%	15 May 2016 to 15 May 2021 (Note 1)
Total			33,658,000	–	(859,500)	(300,000)	**32,498,500**	5.00%	

Notes:

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

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

3. The exercise price was determined by the Board and was fixed at HK$1.00 per share.

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

5. The exercise price was determined by the Board and was fixed at HK$1.18 per share.

6. The closing price immediately before the date of grant was HK$1.72.

7. The exercise price was determined by the Board and was fixed at HK$1.70 per share.

8. The closing price immediately before the date of grant was HK$2.17.

9. The exercise price was determined by the Board and was fixed at HK$2.17 per share.

10. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$1.51 per share.

11. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$1.84 per share.

12. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$1.92 per share.

Directors

As at the date of this annual report, the Directors 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. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung will hold office only until the coming annual general meeting of the Company to be held on Monday, 21 May 2018 (the "AGM") and, being eligible, will offer themselves for re-election at the AGM.

Indemnity and Insurance Provision

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of assets of the Company against any liabilities, action, proceeding, claim, demand or expenses as a result of any act or failure to act in carrying out his functions.

The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

Directors' Service Contracts

Mr. Yeung Kwok Keung and other Directors have renewed their service contracts with the Company for another term of 3 years commencing from 1 August 2017 and 13 June 2017, respectively. Save as above, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

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

Director's Rights to Acquire Shares

Apart from the 2005 Scheme and the 2015 Scheme disclosed in the section headed "Share Options" of this annual report, at no time during the year under review 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 28 to page 30.

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 minimum wage used for payment of basic pension insurance as agreed by local government 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.

Disclosure of Interests

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

As at 31 December 2017, 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 Issuers as set forth in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number of ordinary 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)	443,361,533 (L)	67.48%
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner	5 (L)	100%

Report of the Directors (continued)

Notes:

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

2. 443,361,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au Pak Yin is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2017, 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, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2017, 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 ordinary shares held	Percentage in the relevant class of share capital (approx.) (Note 1)
Kytronics	Company	Beneficial Owner	443,361,533 (Note 2)	67.48% (L)
Kent C. McCarthy	Company	Interest in controlled corporation	52,320,000 (Note 3)	7.96% (L)

Notes:

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

2. 443,361,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au Pak Yin is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO. Ms. Tai Noi Kit is the spouse of Mr. Au Pak Yin. Accordingly, Ms. Tai Noi Kit is deemed to be interested in all the shares in which Mr. Au Pak Yin is interested.

3. 52,320,000 Shares were held by Jayhawk Private Equity Fund II, L.P. which is wholly-owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 31 December 2017, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Management contracts

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

Major suppliers and customers

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 32% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 10% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 33% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 11% 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 headed "Connected Transactions" of this annual report.

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	**Actual transaction amount for the year ended 31 December 2017** RMB'000
Continuing connected transactions		
(I) Supply agreements with Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision")	(i)	17,153

Notes:

(i) Pursuant to the agreement entered into by Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information", a subsidiary of the Company) with Guangdong Precision on 27 October 2016 (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 2017, in aggregate, is RMB24,728,000. The purchase prices for the plastic parts, components and molds supplied by Guangdong Precision was determined after arm's length negotiations with reference to the prevailing market prices of similar or comparable products offered by Guangdong Precision to independent third parties. The purchase prices will be settled by the Group on a monthly account basis.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors. 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 agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) have not exceeded the relevant annual maximum amount stipulated in the relevant agreement.

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

Several related party transactions as disclosed in Note 33 to the financial statements prepared in accordance with HKFRS fall under the definition of "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Sufficiency of Public Float

Details of the public float of the Company which had fallen below the minimal 25% as required by Rule 8.08 of the Listing Rules, were set out in the published annual report of the Company for the year ended 31 December 2016.

To restore the public float to the required level, the Company had successfully completed another top-up placing on 26 January 2017 (the "2017 Top-up Placing") as further detailed in the paragraph headed "Buy-Back, Sale or Redemption of the Company's Listed Securities" of this section of this annual report, pursuant to which up to 18,000,000 shares held by Kytronics had been placed to not less than six individual placees and Kytronics had subscribed for up to 18,000,000 new shares. Upon completion of the 2017 Top-up Placing on 26 January 2017, approximately 25.18% of the shares of the Company was held by the public.

As at the date of this annual report, public shareholders are holding more than 25% interest in the Company, the public float of the Company has been restored and the Company is in compliance with the minimum public float requirement under Rule 8.08 of the Listing Rules as at the date of this annual report.

Subsequent Events

Pursuant to a resolution of the Board of Directors of the Company in November 2017, it has decided to repurchase shares. As at the date of the report, 6,384,000 shares were repurchased and cancelled.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions contained in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2017 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2017.

Compliance with the Corporate Governance Code

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as in effective from time to time (the "CG Code") during the year ended 31 December 2017, save for the deviation from code provision E.1.2 below.

In accordance with the requirements of code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. However, due to other business commitments, the chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 19 May 2017.

At the annual general meeting of the Company held on 19 May 2017, there was one 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.

Further information of the corporate governance practice of the Company is also set out in the corporate governance report in this annual report.

Auditor

The financial statements have been audited by the auditor of the Company, PricewaterhouseCoopers, who, being eligible, will retire and offer themselves for re-appointment at the upcoming AGM.

On behalf of the Board
Au Pak Yin
Chairman

Hong Kong, 22 March 2018

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 71, 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. Since June 2017, Mr. Au has served as the director of Jiangmen Palace International Food Co., Ltd. (江門麗宮國際食品股份有限公司), which was listed on National Equities Exchange and Quotations on 17 November 2017 (stock code: 872325). 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 45, 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 42, 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. Since June 2017, Mr. Au has served as the chairman of the board of Jiangmen Palace International Food Co., Ltd. (江門麗宮國際食品股份有限公司), which was listed on National Equities Exchange and Quotations on 17 November 2017 (stock code: 872325). He is the son of Mr. Au Pak Yin and the brother of Mr. Au Kwok Lun.

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 73, 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 Country Garden Holdings Company Limited. He was an independent non-executive director of Shinhint Acoustic Link Holdings Limited but retired on 23 May 2014 and was an independent non-executive director of Guangzhou R&F Properties Co., Limited but retired on 19 May 2017. 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 62, was appointed as an Independent Non-Executive Director on 8 March 2005. Mr. Meng 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（財政部會計準則委員會）for two years from September 2002 to September 2004. From 2001 to 2003, Mr. Meng served as a member of the Listing Committee of the China Securities Regulatory Commission（中國證券監督管理委員會股票發行審核委員會）. Mr. Meng has over 30 years experience in tertiary education of accountancy in the PRC. He had served as the dean of the School of Accountancy of the Central University of Finance and Economics（中央財經大學）. Mr. Meng is currently a professor and PHD supervisor of the School of Accountancy of the Central University of Finance and Economics.

Mr. Xu Guangmao, aged 71, was appointed as an Independent Non-Executive Director on 8 March 2005. Mr. Xu 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. Yeung Kwok Keung, aged 70, 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.

Save as disclosed otherwise, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

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 and production of printer products. 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 Production Director for the Group's manufacturing assembly. He is responsible for the manufacturing assemblies activities of Jolimark machines. 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 the assistant to the President of the Group. He assists in the management of the Group's marketing, sales, after-sales and administration department. Mr. Rao is a senior engineer and has over 30 years of experience in software development, information technology management and system integration. Mr. Rao graduated from Zhejiang University in 1982, majoring in computer software. 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 2017, 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 commitments, the chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 19 May 2017.

At the annual general meeting of the Company held on 19 May 2017, there was one 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 as its own code of conduct regarding directors' securities transactions contained in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2017 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2017.

Board of Directors

As at 31 December 2017, 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 28 to 29 of this annual report.

During the year ended 31 December 2017, five 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	5/5
Mr. Au Kwok Lun	1/1	5/5
Mr. Ou Guo Liang	0/1	5/5
Independent Non-Executive Director		
Mr. Lai Ming, Joseph	1/1	5/5
Mr. Meng Yan	0/1	5/5
Mr. Xu Guangmao	0/1	4/5
Mr. Yeung Kwok Keung	1/1	5/5

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

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

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

Chairman and Chief Executive Officer

Mr. Au Pak Yin has been appointed by the Board as the Chairman, who is 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.

Mr. Au Kwok Lun has been appointed by the Board as the Chief Executive Officer, who is 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 paragraph headed "Audit Committee" of this annual 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 has been re-appointed for another three-year term on 1 August 2017 and other Independent Non–Executive Directors are re-appointed for another three-year term on 13 June 2017.

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 2017.

Remuneration Committee

The Board has established a Remuneration Committee ("RC"). The RC comprises Mr. Yeung Kwok Keung (Chairman), Mr. Meng Yan, Mr. Xu Guangmao and Mr. Lai Ming, Joseph, who are all Independent Non-Executive Directors and Mr. Au Kwok Lun who is an Executive Director. During the year ended 31 December 2017, the RC had reviewed the remuneration packages of the Directors and senior management.

For the year ended 31 December 2017, the RC held one meeting. The attendance record of each member is as follows:

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

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

Nomination Committee

The Board has established a Nomination Committee ("NC"). The NC comprises 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 2017, NC had reviewed the structure, diversity and composition of the Board, and put forward recommendation to the Board on re-election of retiring directors.

For the year ended 31 December 2017, the NC held one meeting. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Lai Ming, Joseph *(Chairman of NC)*	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1
Mr. Yeung Kwok Keung	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 NC 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 2017, fee for audit services (including review on interim results) was RMB1,340,000 and fee for non-audit services was RMB40,000.

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.

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 AC. The Terms of Reference of the AC also explains the role and the authority delegated by the Board.

During the year, the AC also performed the Company's corporate governance function and reviewed related policy and made recommendation to the Board.

Two meetings were convened by the AC during the year ended 31 December 2017. The attendance record of each member is as follows:

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

During the year ended 31 December 2017, the AC discussed and reviewed the final results of 2016 and interim results of 2017 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 and director training webcasts 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 that he has taken no less than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

Internal Control and Risk Management

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control and risk management systems 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 and risk management systems 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. The Group also performs review to ensure that resources, staff qualifications and experience of internal audit functions are adequate.

The Group's risk management framework includes the following elements:

- identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- develop necessary measures to manage those risks;
- monitor and review the effectiveness of such measures.

The implementation of risk management framework of the Group was assisted by the Group's internal audit department so that the Group could ensure new and emerging risks relevant to the Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. These are on-going processes and the AC reviews periodically the Group's risk management systems.

Based on the reports from the Group's internal audit department, the Board considers the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the Corporate Governance Code.

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 company secretary of the Company 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 company 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.

Environment, Society and Governance Report

Introduction

This is the environmental, social and governance (the "ESG") report (the "ESG Report") of Jolimark Holdings Limited (the "Company" and together with its subsidiaries, the "Group") for the year ended 31 December 2017.

The Company believes that this ESG Report enables the Company to communicate the Group's sustainability related matters in a transparent and accountable manner, which is key to gaining the trust of its stakeholders. The Group is committed to making continuous contribution to the sustainable development in China and overseas, and fulfilling corporate social responsibilities at various operational levels. This ESG Report provides an overview of the Group's performance related to sustainable development in the areas of the environment, community, employment and labour practices and operation convention for the year ended 31 December 2017.

Since the incorporation, the Group has been striving for excellence. In addition to constantly improving its performance and developing in a sustainable manner, the Group is highly concerned about the protection of employee rights and the environment, and are dedicated to giving back to the society and promoting self-improvement of employees. By incorporating social responsibilities into its development and long-term planning, the Group seeks to promote the mutual benefits among the economy, society, and environment, as well as a comprehensive sustainable development.

Reporting Standard and Scope

This ESG Report has been prepared with reference to the ESG Reporting Guide as set forth under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Environment

Aspect A1: Emissions

No waste water is produced during our production process, and therefore relevant disclosure is not applicable to the production business. Domestic waste water is discharged to the local municipal drainage system after undergoing septic tank treatment. A small amount of waste gas is produced in the welding sequence during the production process and is discharged after high-altitude concentrated treatment through pipeline in the exhausting system. The waste gas comprises mainly particles and contains no NOx, SO_2 and other pollutants restricted by laws and regulations of the PRC, nor does it contain any greenhouse gas. The Company periodically engages third-party agencies to monitor waste water and waste gas each year. The monitoring results indicated that waste gas emissions were far lower than the emission standards and domestic waste water discharge met requirements. According to the 2017 Waste Gas Monitoring Report, the emission intensity of particles was only 12.6 mg/m^3, far lower than the emission standard of 120 mg/m^3, and the emission rate was only 0.18 Kg/h, far lower than the mission standard of 3.3 Kg/h.

The Company have formulated the Waste Treatment Measures to carefully distinguish and handle general waste, hazardous waste, and recyclable and reusable waste produced during the production process. The Company also provides relevant training for employees to ensure that waste is properly classified and collected for the reuse and comprehensive treatment of recyclable substances. Partner suppliers are directed and encouraged to recycle packaging waste with recovery value or to use reusable plastic packaging materials. The Company produces only a small amount of hazardous waste in the production/office processes, mainly including scrap electric circuit board and waste printing ribbon. In 2017, 4.9 tonnes of hazardous waste was produced, which was delivered to a qualified professional recycling agency for disposal and submitted to government authorities for approval as required.

Furthermore, the Company endeavored to promote employees' awareness regarding waste recycling and classification and placed recycling cans in living as well as production areas to increase the recycle rate of non-hazardous waste. In 2017, 159 tonnes of non-hazardous waste was produced, representing a decrease of approximately 36 tonnes as compared with last year. Unit emission reduction rate was approximately 6%. Non-hazardous waste mainly comprised packaging materials and cardboard boxes, which was recycled by waste recyclers for reuse.

In 2017, the Company did not discover any material breach of laws and regulations in relation to the environment.

Aspect A2: Use of Resources

The Company is committed to making good use of resources and reducing energy and resource consumption during its operation. The Company has formulated the Energy and Resource Management Measures as well as the Cooling System Control and Maintenance Measures to regulate the management and control of power, water, paper, oil, and raw materials. Also, the Company vigorously promotes and advocates the idea of energy conservation and consumption reduction among all its employees and has implemented and reviewed the energy conservation and consumption reduction measures and assessed their effectiveness throughout the whole business process. The Company attaches particular importance to the control of resource usage starting from the stage of design and development, and all of its products have passed the national grade-I energy-saving certification and environmental label certification. While guaranteeing the quality of products, the Company also endeavors to achieve rational use of resources by reducing the use of raw materials and improving the recycling efficiency of materials.

In 2017, the Company strengthened the packaging by laminating the exterior packaging materials of products, thereby reducing one layer of packaging box for each unit of product. This alone helped the Company reduce approximately 270 tonnes of packaging box materials throughout the year.

Although the Company did not use water for production and our domestic water consumption remained largely unchanged, the Company endeavored to save water by using water-saving faucets and preventing water dripping.

In 2017, the Company consumed 1,072 mWh of electricity for production, decreasing by 245 mWh as compared with last year. Electricity consumption per unit product decreased by 0.12 kWh. Household and auxiliary electricity consumption was 415 mWh, decreasing by 16.6 mWh as compared with last year. Household water consumption was 29,657 tonnes, decreasing by 925 tonnes as compared with last year.

Aspect A3: Environment and Natural Resources

The Company consciously takes the impact of its activities and decisions on the environment into overall consideration. The Company has established, promoted and improved its environmental management system and environmental label product management system, strengthened various internal control measures, reinforced environmental monitoring and inspection and implemented strict environmental risk prevention and control measures so as to minimize the impact on the environment during its production and operation process.

The Company reduced the use of electricity, water and paper, encouraged its employees/suppliers to recycle packaging materials, office supplies and other materials, and optimized design to reduce consumption of materials. All of the Company's products obtained environmental label certification and energy saving certification and all printer products reached national level I energy efficient standard. The Company also increased the green area and expanded the coverage ratio of plants on its factory premises. These measures helped the Company minimize the adverse impact on the environment.

Society

Aspect B1: Employment

The Company strictly abides by the provisions of the PRC Labor Law, and has not violated the relevant rules and regulations. The Company has signed a labor contract with each of its employees, and paid the salaries, overtime compensations and related benefits in a timely manner according to (or at a level higher than) the local minimum wage standard without any defaults; and granted all holiday and statutory paid leave entitlements to employees in compliance with national regulations. The Company treats every employee equally so that their employment, remuneration or promotion will not be affected by their social identities such as ethnicity, race, nationality, gender, religion, age, political faction and marital status.

The Company has established a trade union and a number of staff clubs relating to football, badminton, basketball, and family, and allocates special funds on a monthly basis to provide a wide variety of leisure and cultural activities to its employees. The Company also arranges free medical check-ups for its employees annually to show its care for them and cultivate a sense of belonging.

Besides, the Company offers competitive remuneration packages to its employees. The Company has also adopted a share option scheme and a reward system to recognize and reward those employees who have contributed to the growth and development of the Group.

An employee satisfaction survey is conducted on an annual basis. Upon receipt of the survey results, the Company will carefully consider all the valuable feedback from employees on how to improve the working environment, enhance the operating efficiency and create a harmonious workplace and so on. In 2017, a score of 91.7 points was achieved for employee satisfaction. The employee turnover rate remained at a reasonable level, whereas the turnover rates of male employees and employees under the age of 25 were relatively higher.

Aspect B2: Health and Safety

The Company has established the Safety Committee and is committed to improving health and safety performance on an ongoing basis. The Company has established a complete occupational health and safety management system according to the OHSAS18001 standards, and continuously and effectively promoted and implemented them to ensure a safe and healthy working environment for employees. Moreover, the Company has implemented safety management and adopted a series of safety measures to consolidate the achievements of the three-layer safety production standardization. The Company also regularly reviews the implementation and effectiveness of related measures and monitors the environmental data of the workplace. The Company has implemented additional preventive measures for risk-related positions by providing training to related personnel to build a culture of risk awareness. Employees in risk-related positions will receive occupational disease examination each year. On top of this, a pre-recruitment and post-recruitment occupational disease examination mechanism was also enhanced to ensure the physical and mental healthiness of the employees. In 2017, the Company carried out 80 pre-job, on-the-job and post-job occupational disease inspection for employees in specific positions, achieving a full coverage.

The Safety Committee of the Company performs major safety inspection on a quarterly basis and takes correction measures to eliminate identified safety and health hazards. In addition to organizing the employees of the Group to receive training on the relevant occupational health and safety risks and taking protective measures for them, the Company also supervised and guided its related parties and strived to enhance their safety awareness and sense of safety responsibilities by exerting influence on them.

In 2017, the Company did not discover any material breach of laws and regulations in relation to occupational health and safety.

Aspect B3: Development and Training

The Company strives to motivate its employees by offering clear career development paths and opportunities to enhance and improve their skills, maintain their competitiveness, professional expertise and code of ethics. The Company has a training room that can hold more than 100 people, with complete training facilities and internal trainers to provide orientation trainings and in-house trainings to its employees. The Company works out detailed training programs according to the needs of employees at the beginning of each year. Training programs cover different areas including management skills, sales & production, customer services, quality control, exhibition planning, code of conduct, and other industry-related trainings. The Company conducted training courses according to schedule and paid much attention to the effectiveness of such courses. Employees were also organized to receive trainings from external entities to acquire more knowledge and skills every year. In 2017, the Company completed 926 training programs, involving 6,395 person-training and a total of 51,283 training hours on average.

Aspect B4: Labor Standards

The Company prohibits the employment of child and forced or compulsory labor in any of its operations. The HR department of the Company verifies the age of employees during the recruitment process and employs only those aged 18 and above. Employees of the Company work on a 5 days a week, 8 hours per day basis. Employees are entitled to paid leaves as per regulations of the state. The Company provides air-conditioned work place where employees are allowed to enjoy light music, take short breaks, or relax in other ways to alleviate their sense of tiredness during work. All the employees have the right to terminate employment with the Company freely by giving a reasonable notice. In 2017, the Company did not detect any employment of child labor or forced or compulsory labor. The Company did not receive any complaints from government authorities, nor were required to compensate employees or penalized due to violation of labor standards. When employees join the Company, the HR department thoroughly reviews their employment information (including but not limited to ID card, certificate of degree/diploma, qualification proof and employment certificate from previous employers). Should any employee be found to mis-represent or conceal information, the Company shall be entitled to terminate the labor contract without any compensation according to the law. Where an employee is forced to work, the head of the department where he works shall be held accountable and be penalized as per the Company's relevant regulations.

In 2017, the Company did not discover any material breach of laws and regulations in relation to employment of child labor or forced labor.

Aspect B5: Supply Chain Management

The Company actively promotes sustainable development of the supply chain, and encourages its partners to fulfill social responsibilities in joint efforts. The Company has established long-term cooperative relationships with many suppliers, and strived to ensure their compliance with the Company's commitments to quality, environmental protection, low carbon operation, safety and ethical conducts. The Company selected suppliers carefully, and required them to satisfy several evaluation criteria, including track records, experience, financial strength, reputation, the capability to produce high quality products, the effectiveness of quality control, and environmental protection, safety, and public welfare responsibilities. For major suppliers, the Company will establish an assessment team to perform on-site assessment on them and verify their samples before including them in the Company's list of qualified suppliers. The Company prudently selects suppliers based on such factors as quality, delivery punctuality, and price, and hold at least two suppliers in reserve for each material.

Suppliers are also required to observe the Company's anti-corruption policy. The Company is dedicated to maintaining equal cooperation and mutual benefits with its suppliers, and would also conduct long-term quality monitoring and regular review of all the suppliers to ensure effective influence and control on the supply chain.

Aspect B6: Product Responsibilities

The Company believes that products are at the core of corporate competitiveness. To effectively improve the product quality and protect customer rights and interests, the Company keeps strict control over the product quality starting from the stage of research and development. The Company carries out stringent quality control in each process, including design, engineering measurement, procurement, production, testing, and after-sales services, and performs multiple tests on function and performance before storing the product in the warehouse, so as to ensure the product quality for the satisfaction of customers.

Thanks to their stable and reliable quality, products of the Company passed every sample-based quality supervision and inspection conducted by government authorities in the past. The Company adopted a set of internal product standards which are more stringent than the national standards to control the product quality and ensure the superior product quality. A number of the Company's products have received the Scientific and Technological Progress Awards granted by government authorities, and the dot-matrix type printer and mini printer under the "Jolimark" brand were awarded the two titles of Provincial Famous Brand Products.

In 2017, none of the Company's products was subject to product recall for safety and health reasons. The after-sale department collaborated with the quality control department to respond to and handle customers' complaints. The Company sets up two 400 telephone lines and created a dedicated website to answer customers' inquiries and requests for services. The Company also paid much attention to online feedback on issues. It regularly collected customers' opinions and assembled relevant departments to discuss solution for these issues. For complaints about quality issues, the Company would assign support personnel to visit the customer and properly resolve the issue through on-site resolution or by returning or replacing the product or other methods as required by the customer.

The Company also attaches great importance to the after-sale service quality, and has constructed a complete sales and after-sales service network by licensing more than 1,300 certified sales outlets in medium and large-sized cities and tier-2 and tier-3 cities throughout China. For products sold online, the Company strictly abides by the "7 days return and exchange with no questions asked" policy. For products within warranty period, the Company's policy is for contracted dealers to provide on-site repair. For damaged key components and parts of customers, the Company will recover, verify, and analyze them. Some of the analysis information can be used to improve product quality.

Although the Company seldom has access to information of end customers as the Company's products are mostly sold through dealers, the Company attaches great importance to the protection of customers' information and privacy. The Company sets up access permission for dealers' information and customers' information obtained through the after-sale system. The information shall be used for internal statistics and analysis purpose only and shall not be used for any commercial purposes. It may not be disclosed to third parties. The Company also requires that the Company's dealers shall not disclose the information and privacy of customers to any irrelevant third parties, nor shall they use the information for any form of commercial purposes to obtain benefits.

Aspect B7: Anti-corruption

The Company allows zero tolerance for corruption and bribery throughout its operations. The Company has an internal audit department to conduct regular business audit in the procurement department and other relevant departments. All the business contracts with third parties are subject to professional reviews by the legal department, and a series of internal financial management systems were formulated for standard management purpose and to ensure corruption and bribery are prevented at the origin. In 2017, no case of corruption and bribery occurred in the Company.

To ensure that employees comply with the relevant policies and maintain high ethical standards, the Company educates the relevant employees about the prevention of corruption and bribery. The Company also warns employees against fraud, extortion and money laundering through propaganda campaigns. Should any employee discover leads on corruption or bribery, he or she may report them to the audit department. Upon receipt of the report, the audit department shall carry out investigations on the matter as per the Company's procedures and strictly protect the whistle-blower. Once the offence is verified, the matter will be handled in accordance with the Company's regulations. Those who violate the Criminal Law shall be transferred to the judiciary authorities.

Aspect B8: Community Investment

The Company has been focusing on the promotion of community and education projects which are of much concern. The Company encourages its employees to participate in the non-remunerated blood donation activity under a community health program, with the cumulative amount of donated blood exceeding 40,000 ml. Furthermore, the Company is enthusiastic about the development of educational undertakings. The Company has established "Scholarships for Outstanding Students of Jolimark Employees" and "Jolimark Education Scholarship" and organized the "Jolimark Cup" literary creation contest for primary and secondary school students in Jiangmen. Each year, the Company allocates hundreds of thousands of Yuan to award students who are excellent in virtues and study. These efforts have played a good exemplary role in promoting the development of educational undertakings, creating a good style of study, encouraging students to explore actively, become confident and self-reliance and seek pluralistic development, and inspiring a great number of students to rise in great vigor. Meanwhile, the Company title-sponsored the National Chess League Division A and sponsored "Jolimark Cup 2016-2025 Jiangmen Youth Campus Football Level-Four League", thereby contributing to the social welfare undertakings.

Independent Auditor's Report

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

Opinion

What we have audited

The consolidated financial statements of Jolimark Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 108, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of goodwill
- Impairment of investments accounted for using the equity method

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of goodwill	
Refer to note 4(d) and note 8 to the consolidated financial statements The goodwill balance of RMB5,742,000 arose on the acquisition of Shenzhen Coolwi Technology Company Limited ("Coolwi") in 2014, which is subject to an annual impairment assessment according to HKAS 36. Management adopted the discounted cashflow method to perform the assessment. When management prepared the assessment, they exercised critical judgement in regard of selection of the methodology, estimation of revenue growth rate and the discount rate. We focused on this area due to the significant value of goodwill and the critical estimates made by management.	We involved our internal valuation experts in assessing the appropriateness of the methodology used by management. We challenged the reasonableness of the estimations by performing the following procedures: ✓ compared the operating result with historical information of the number of users and sales volume for the year ended 31 December 2017 prepared by management and assessed the reasonableness of the updated future profit and cash flow forecasts for the years after 2017; ✓ compared the growth rate of revenue, approved budgets and business plans to historical results of Coolwi as well as the economic and industry forecasts; ✓ benchmarked the discount rate against our own internal data, taking into account the cost of capital of Coolwi and comparable entities; ✓ benchmarked the inflation rate against available government data; We performed sensitivity analysis over growth rate of revenue to assess the potential impact of possible outcome. Based on our audit procedures, we considered the judgement and estimates made by the management were supportable by available evidence and consistent with our understanding.

Independent Auditor's Report (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of investments accounted for using the equity method	
Refer to note 4(d) and note 10 to the consolidated financial statements. The Group held interest in associates, which is accounted for using the equity method. When the objective evidences that indicate impairment are identified, the management performed impairment assessments by comparing the recoverable amounts of the interest in associates with its carrying amounts. As at 31 December 2017, the Group found that the carrying amount of the investments in Wuhan Hong Ruida Information Technology Limited Company ("Hong Ruida") exceeded its recoverable amount. During the year ended 31 December 2017, the Group made an impairment charge of RMB6,443,000 against the carrying amount of RMB10,874,000 in Hong Ruida. Impairment charge measurement had taken into account the estimation of key assumptions based on value-in-use as determined by the enterprise discounted cash flow model including revenue growth rates and the discount rate. We focused on this area due to the magnitude of the impairment charge was significant during the year and significant judgements were required to be exercised by management to determine the key assumptions adopted in the applicable valuation model.	We challenged the reasonableness of the assumptions by performing the following procedures: ✓ compared the historical operating result with cash flow forecasts compiled by management for the year ended 31 December 2017 and assessed the reasonableness of the updated future profit and cash flow forecasts for the years after 2017; ✓ tested mathematical accuracy and checked to the financial data of Hong Ruida; ✓ compared the growth rate of revenue to the investee's budgets and business plans, taking into consideration of the economic and industry forecasts and other evidence of future intentions for Hong Ruida; ✓ benchmarked the discount rate adopted in the valuation model against our own internal data, taking into account the cost of capital. We performed sensitivity analysis over growth rate of revenue to assess the potential impact of possible outcome. Based on our audit procedures, we were satisfied that management's assessments were reasonable and consistent with the evidence that we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

Independent Auditor's Report (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pang Ho Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2018

Consolidated Balance Sheet

As at 31 December 2017
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	**94,402**	89,488
Land use rights	7	**8,299**	8,588
Intangible assets	8	**11,911**	12,681
Investments accounted for using the equity method	10	**14,870**	18,570
Available-for-sale financial assets	11	**2,556**	3,349
Deferred income tax assets	21	**2,190**	2,682
Restricted cash	17	**58,120**	58,130
Other receivables	14	**1,781**	–
		194,129	193,488
Current assets			
Inventories	13	**79,795**	89,113
Trade and other receivables	14	**49,997**	39,034
Financial assets at fair value through profit or loss	15	**20,092**	–
Restricted cash	17	**253**	69,651
Cash and cash equivalents	16	**171,056**	198,516
		321,193	396,314
Total assets		**515,322**	589,802
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	18	**51,297**	24,578
Other reserves	19	**252,643**	245,913
Retained earnings		**40,365**	51,616
Non-controlling interests		**(455)**	(77)
Total equity		**343,850**	322,030

Consolidated Balance Sheet (continued)

As at 31 December 2017
(All amounts in Renminbi thousands unless otherwise stated)

	Note	**2017**	2016
LIABILITIES			
Non-current liabilities			
Borrowings	20	**50,154**	53,670
Deferred income tax liabilities	21	**667**	1,073
		50,821	54,743
Current liabilities			
Trade and other payables	22	**86,317**	98,768
Current income tax liabilities		**4,334**	6,921
Borrowings	20	**30,000**	107,340
		120,651	213,029
Total liabilities		**171,472**	267,772
Total equity and liabilities		**515,322**	589,802

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

The financial statements on pages 47 to 108 were approved by the Board of Directors on 22 March 2018 and were signed on its behalf:

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

Consolidated Income Statement

For the year ended 31 December 2017
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2017	2016
Revenue	5	**373,188**	526,637
Cost of goods sold	24	**(241,790)**	(331,730)
Gross profit		**131,398**	194,907
Other income	23	**7,663**	9,962
Selling and marketing expenses	24	**(37,740)**	(43,263)
Administrative expenses	24	**(47,065)**	(48,629)
Research and development expenses	24	**(28,111)**	(26,834)
Other gains – net	26	**1,523**	376
Operating profit		**27,668**	86,519
Finance expenses – net	27	**(500)**	(7,408)
Share of losses of investments accounted for using the equity method	10	**(657)**	(606)
Impairment of investment in an associate	10	**(6,443)**	–
Profit before income tax		**20,068**	78,505
Income tax expenses	28	**(6,593)**	(17,440)
Profit for the year		**13,475**	61,065
Profit attributable to:			
– Shareholders of the Company		**13,853**	61,176
– Non-controlling interests		**(378)**	(111)
		13,475	61,065
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
– Basic	29	**0.021**	0.098
– Diluted	29	**0.021**	0.098

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017
(All amounts in Renminbi thousands unless otherwise stated)

	2017	2016
Profit for the year	**13,475**	61,065
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**13,475**	61,065
Total comprehensive income for the year attributable to:		
– Shareholders of the Company	**13,853**	61,176
– Non-controlling interests	**(378)**	(111)
	13,475	61,065

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium (note 18)	Other reserves (note 19)	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2016	147,449	232,769	68,395	60	448,673
Comprehensive income					
Profit for the year	–	–	61,176	(111)	61,065
Non-controlling interests arising on newly acquired subsidiary	–	–	–	(26)	(26)
Contributions by and distributions to the shareholders of the Company recognized directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	–	8,604	(8,604)	–	–
Share options granted to employees	–	5,102	–	–	5,102
Exercise of share options	2,664	(553)	–	–	2,111
Share options forfeited during the year	–	(9)	–	–	(9)
Placing of new shares	16,548	–	–	–	16,548
Dividends	(142,083)	–	(69,351)	–	(211,434)
	(122,871)	13,144	(16,779)	(137)	(126,643)
Balance at 31 December 2016	24,578	245,913	51,616	(77)	322,030
Balance at 1 January 2017	**24,578**	**245,913**	**51,616**	**(77)**	**322,030**
Comprehensive income					
Profit for the year	**–**	**–**	**13,853**	**(378)**	**13,475**
Contributions by and distributions to the shareholders of the Company recognized directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	**–**	**3,104**	**(3,104)**	**–**	**–**
Share options granted to employees	**–**	**3,914**	**–**	**–**	**3,914**
Exercise of share options	**1,252**	**(283)**	**–**	**–**	**969**
Share options forfeited during the year	**–**	**(5)**	**–**	**–**	**(5)**
Placing of new shares	**25,467**	**–**	**–**	**–**	**25,467**
Dividends (note 30)	**–**	**–**	**(22,000)**	**–**	**(22,000)**
	26,719	**6,730**	**(11,251)**	**(378)**	**21,820**
Balance at 31 December 2017	**51,297**	**252,643**	**40,365**	**(455)**	**343,850**

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities			
Cash generated from operations	31	**22,513**	80,187
Income tax paid		**(9,094)**	(17,170)
Interest paid		**(4,016)**	(2,116)
Net cash generated from operating activities		**9,403**	60,901
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,915)**	(7,578)
Purchase of intangible assets		**–**	(1,075)
Disposals of property, plant and equipment		**2**	753
Acquisition of interest in an associate		**(4,000)**	(9,000)
Acquisitions of financial assets at fair value through profit or loss		**(20,000)**	–
Dividend received from an associate		**600**	–
Interests received		**4,149**	7,848
Net cash used in investing activities		**(32,164)**	(9,052)
Cash flows from financing activities			
Bank deposits released from/(secured for) borrowings		**69,550**	(97,510)
Proceeds from borrowings		**30,000**	155,718
Repayments of borrowings		**(107,340)**	(29,625)
Dividends paid to shareholders of the Company		**(22,000)**	(211,434)
Exercise of share options		**969**	2,111
Placing of new shares		**25,467**	16,548
Net cash used in financing activities		**(3,354)**	(164,192)
Net decrease in cash and cash equivalents		**(26,115)**	(112,343)
Cash and cash equivalents at beginning of the year		**198,516**	308,739
Exchange (losses)/gains on cash and cash equivalents		**(1,345)**	2,120
Cash and cash equivalents at end of the year	16	**171,056**	198,516

The notes on pages 53 to 108 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 and other electronic products 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 22 March 2018.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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 2017. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities (note 31). The adoption of other new and amended standards and interpretations does not have significant impact to the results or financial position of the Group.

HKAS 7 Amendment	Statement of Cash Flows
HKAS 12 Amendment	Income Taxes
HKFRS 12 Amendment	Disclosure of interest in other entities

(b) New and amended standards and interpretations issued but are not effective for financial year ended 31 December 2017 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKAS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKAS 28 Amendment	Investments in Associates and Joint Ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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.

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.2 Principles of consolidation and equity accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2017.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2. Summary of Significant Accounting Policies (continued)

2.3 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 a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 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.

2.5 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated income statement.

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

2. Summary of Significant Accounting Policies (continued)

2.6 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 recognized 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 the end of each reporting period.

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 2.9).

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

2.7 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 consolidated balance sheet. Land use rights are recognized as an expense on a straight-line basis over the remaining lease term or the operating license period, whichever is shorter.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.9. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

(b) Proprietary technology

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

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of Significant Accounting Policies (continued)

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See note 12 for details about each type of financial asset.

i Financial assets at fair value through profit and loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

ii Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables, restricted cash and cash and cash equivalents.

iii Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

2. Summary of Significant Accounting Policies (continued)

2.10 Investments and other financial assets (continued)

(b) Reclassification

Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(d) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in the income statement within other gains – net.

Interest income from financial assets at fair value through profit or loss is included in other gains – net. Interest on loans and receivables calculated using the effective interest method is recognised in the income statement as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

2. Summary of Significant Accounting Policies (continued)

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period 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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(a) Assets carried at amortised cost

For loans and receivables, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 profit or loss.

Impairment testing of trade receivables is described in note 14.

(b) Assets classified as available-for-sale

If there is objective evidence of impairment 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 or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.12 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 45 days and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.10 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital and premium

Ordinary shares are classified as equity.

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

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies (continued)

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss 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 reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

2.19 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of Significant Accounting Policies (continued)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, 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.

2.20 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

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

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.20 Employee benefits (continued)

(b) Post-employment obligations

i 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 recognized 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.

(c) 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 recognizes 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.

2.21 Share-based payments

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 recognized 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 recognized 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 recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.21 Share-based payments (continued)

The proceeds received net of any directly attributable transaction costs are credited to share capital 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 recognized over the vesting period as an increase to investment in subsidiary, with a corresponding credit to equity.

2.22 Provisions

Provisions for legal claims, service warranties and make good obligations 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 can be 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2. Summary of Significant Accounting Policies (continued)

2.23 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 recognizes 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 recognized 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 recognized in the accounting period in which the services are rendered.

(c) Incentive subsidy

Incentive subsidy is recognized 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.

2.24 Interest income

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

2.25 Dividend income

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 32). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2. Summary of Significant Accounting Policies (continued)

2.27 Dividends distribution

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

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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$"), Taiwanese dollars ("TWD"), Euro and Hong Kong dollars ("HK$"). 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$, TWD, Euro or HK$.

As at 31 December 2017, the Group had more financial liabilities than financial assets outside the mainland China. The Group manages and monitors its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by reducing the financial liabilities if needed. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2017, if RMB had strengthened/weakened by 6.2% against the US$ and HK$ with all other variables held constant, post-tax profit for the year would be higher/lower by RMB1,237,000(2016: if RMB had strengthened/weakened by 6.8% against the US$ and HK$ with all other variables held constant, post-tax profit for the year would be higher/lower by RMB1,655,000), 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.

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's major interest-bearing assets are cash and cash equivalents and restricted cash. The maturity term of cash and cash equivalents and restricted cash are 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. As at 31 December 2017, 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 RMB337,000 lower/higher (2016: RMB672,000), 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.

(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 (note 11) or financial assets at fair value through profit or loss (note 15). To manage its price risk arising from investments in equity securities, the Group diversified its portfolio.

The carrying amounts of available-for-sale financial assets and fair value gains on financial assets at fair value through profit or loss represent the Group's maximum exposure to price risk.

(b) Credit risk

The carrying amount of cash and cash equivalents, financial assets at fair value through profit or loss, 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, financial assets at fair value through profit or loss and restricted cash 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.

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)

(b) Credit risk (continued)

Credit risk related to trade and other receivables is the risk that the receivables cannot be collected on the due date. The Group has policies in place to ensure that sales of goods are made to customers with a good credit quality based on assessment of ageing of trade receivables, repayment history, the customers' financial position and other factors. As at 31 December 2017, 70% of trade receivables are due from three major customers of the Group (2016: 34%). 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 is 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.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years
At 31 December 2017			
Borrowings	**31,900**	**51,129**	**–**
Trade and other payables	**65,425**	**–**	**–**
At 31 December 2016			
Borrowings	110,925	1,407	54,765
Trade and other payables	43,144	–	–

3. Financial Risk Management (continued)

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets as shown on the consolidated balance sheet. As at 31 December 2017, the total borrowing for the Group is RMB80,154,000(2016: RMB161,010,000) and the gearing ratio is 15.55% (2016: 27.30%).

3.3 Fair value estimation

(a) Financial assets and liabilities

i Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Available-for-sale financial assets are equity investment in two private companies and financial assets at fair value through profit or loss represent a wealth management product purchased as at 31 December 2017, both of them are 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 2017, 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 Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Net realizable value of inventories

Net realizable 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.

(d) Estimated impairment of Investments accounted for using the equity method and goodwill

Investments accounted for using the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of investments accounted for using the equity method and goodwill have been determined based on value-in use calculations, taking into account latest market information and past experience. These calculation require the use of judgements and estimates.

(All amounts in Renminbi thousands unless otherwise stated)

5. Segment Information

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

The CODM manages the Group's business from the perspective of different product lines of the Group, i.e. printers and other electronic products.

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

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2017 are as follows:

	Printers	Other electronic products	Total
Revenue (from external customers) (note (a))	**367,482**	**5,706**	**373,188**
Segment results	**85,159**	**1,399**	**86,558**
Other income			**7,663**
Administrative expenses			**(47,065)**
Research and development expenses			**(28,111)**
Other gains – net			**1,523**
Finance expenses – net			**(500)**
Income tax expenses			**(6,593)**
Profit for the year			**13,475**
Segment results include:			
Share of losses of investments accounted for using the equity method (note 10)	**(657)**	**–**	**(657)**
Impairment of investment in an associate (note 10)	**(6,443)**	**–**	**(6,443)**
Depreciation and amortization	**(5,649)**	**(322)**	**(5,971)**

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 2016 are as follows:

	Printers	Other electronic products	Total
Revenue (from external customers) (note (a))	469,874	56,763	526,637
Segment results	136,024	15,014	151,038
Other income			9,962
Administrative expenses			(48,629)
Research and development expenses			(26,834)
Other gains – net			376
Finance expenses – net			(7,408)
Income tax expenses			(17,440)
Profit for the year			61,065
Segment results include:			
Share of losses of investments accounted for using the equity method	(606)	–	(606)
Depreciation and amortization	(3,768)	(762)	(4,530)

(a) Revenues from external customers are for sales of goods. There are no inter-segment sales for the years ended 31 December 2017 and 2016.

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

	2017	2016
In the PRC	**345,440**	445,535
In other countries	**27,748**	81,102
	373,188	526,637

(c) In 2017, approximately 10% of total revenue (2016: approximately 14%) are derived from a single external customer, which is attributable to the segment of printers.

(d) As at 31 December 2017, the Group's non-current assets are mainly located in the PRC.

(All amounts in Renminbi thousands unless otherwise stated)

6. Property, Plant and Equipment

	Buildings	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
At 1 January 2016						
Cost	56,665	154,228	15,780	3,143	11,362	241,178
Accumulated depreciation	(15,143)	(112,518)	(13,470)	(2,005)	(9,400)	(152,536)
Net book amount	41,522	41,710	2,310	1,138	1,962	88,642
Year ended 31 December 2016						
Opening net book amount	41,522	41,710	2,310	1,138	1,962	88,642
Acquisition of a subsidiary	–	662	42	–	–	704
Additions	3,025	3,697	373	–	1,181	8,276
Disposals	–	(1,425)	(98)	–	–	(1,523)
Depreciation	(1,450)	(4,045)	(463)	(162)	(491)	(6,611)
Closing net book amount	43,097	40,599	2,164	976	2,652	89,488
At 31 December 2016						
Cost	59,690	157,162	16,097	3,143	12,543	248,635
Accumulated depreciation	(16,593)	(116,563)	(13,933)	(2,167)	(9,891)	(159,147)
Net book amount	43,097	40,599	2,164	976	2,652	89,488
Year ended 31 December 2017						
Opening net book amount	**43,097**	**40,599**	**2,164**	**976**	**2,652**	**89,488**
Additions	**3,177**	**9,719**	**826**	**85**	**140**	**13,947**
Disposals	**–**	**(346)**	**(54)**	**–**	**–**	**(400)**
Depreciation	**(1,468)**	**(6,336)**	**(342)**	**(154)**	**(333)**	**(8,633)**
Closing net book amount	**44,806**	**43,636**	**2,594**	**907**	**2,459**	**94,402**
At 31 December 2017						
Cost	**62,867**	**166,535**	**16,869**	**3,228**	**12,683**	**262,182**
Accumulated depreciation	**(18,061)**	**(122,899)**	**(14,275)**	**(2,321)**	**(10,224)**	**(167,780)**
Net book amount	**44,806**	**43,636**	**2,594**	**907**	**2,459**	**94,402**

Depreciation was expensed in the following accounts in the statement of profit or loss:

	2017	2016
Cost of goods sold	**6,294**	4,264
Administrative expenses	**2,108**	2,172
Selling and marketing expenses	**231**	175
	8,633	6,611

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

7. Land Use Rights

At 1 January 2016	
Cost	11,550
Accumulated amortization	(2,673)
Net book amount	8,877
Year ended 31 December 2016	
Opening net book amount	8,877
Amortization	(289)
Closing net book amount	8,588
At 31 December 2016	
Cost	11,550
Accumulated amortization	(2,962)
Net book amount	8,588
Year ended 31 December 2017	
Opening net book amount	**8,588**
Amortization	**(289)**
Closing net book amount	**8,299**
At 31 December 2017	
Cost	**11,550**
Accumulated amortization	**(3,251)**
Net book amount	**8,299**

The land is outside Hong Kong and held on leases of 40 years, with remaining useful life of 29 years (2016: 30 years).

Amortization of RMB289,000 (2016: 289,000) is included in the cost of goods sold in the statement of profit or loss.

(All amounts in Renminbi thousands unless otherwise stated)

8. Intangible Assets

	Goodwill (Note (a))	**Proprietary technology**	**Total**
At 1 January 2016			
Cost	5,742	5,343	11,085
Accumulated amortization	–	(1,622)	(1,622)
Net book amount	5,742	3,721	9,463
Year ended 31 December 2016			
Opening net book amount	5,742	3,721	9,463
Acquisition of a subsidiary	48	204	252
Addition	–	3,460	3,460
Amortization	–	(494)	(494)
Closing net book amount	5,790	6,891	12,681
At 31 December 2016			
Cost	5,790	9,007	14,797
Accumulated amortization	–	(2,116)	(2,116)
Net book amount	5,790	6,891	12,681
Year ended 31 December 2017			
Opening net book amount	**5,790**	**6,891**	**12,681**
Amortization	**–**	**(770)**	**(770)**
Closing net book amount	**5,790**	**6,121**	**11,911**
At 31 December 2017			
Cost	**5,790**	**9,007**	**14,797**
Accumulated amortization	**–**	**(2,886)**	**(2,886)**
Net book amount	**5,790**	**6,121**	**11,911**

Amortization of RMB770,000 (2016: RMB494,000) is included in the cost of goods sold in the statement of profit or loss.

(All amounts in Renminbi thousands unless otherwise stated)

8. Intangible Assets (continued)

(a) Impairment tests for goodwill

The goodwill of RMB5,742,000 arose in the acquisition of Shenzhen Coolwi Technology Company Limited ("Coolwi") in 2014. 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 the revised financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

The key assumptions have been used for the analysis of value-in-use calculations in 2017 are as follows:

	"Kamo" mobile payment and Yingmei.me O2O cloud printing
Average annual growth rate of revenue (within the first five years)	32.95%-167.54%
Long term growth rate of revenue (after the first five years)	3.11%
Pre-tax discount rate	15.01%

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 rate used is pre-tax and reflect specific risks relating to the relevant operating segment.

(All amounts in Renminbi thousands unless otherwise stated)

9. Investments in Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2017:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/ paid-in capital	Attributable equity interest held
Directly held by the Company				
Ying Mei Investment Limited	The British Virgin Islands (the "BVI")	Investment holdings/PRC	US$50,000	100%
Kong Yue Investment Limited	BVI	Investment holdings/PRC	US$50,000	100%
Indirectly held by the Company				
Jolimark Technology Limited	Hong Kong	Investment holdings/PRC	HK$10,000	100%
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$16,050,000	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%
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	PRC	Research and development of the Internet of Things	RMB1,000,000	100%
Shenzhen Yingmei Kamo Internet Limited	PRC	Research and development of the internet of Things	RMB1,000,000	100%
Gowin Technology International Holdings limited ("Gowin")	Hong Kong	Research and development of the Internet technology and electronic products	HK$20,002	65%

All the subsidiaries are limited liability companies.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

10. Investments accounted for using the equity method

The amounts recognized in the consolidated balance sheet for associates are as follows:

	2017	2016
Balance at 1 January	**18,570**	10,176
Addition (note (a))	**4,000**	9,000
Share of losses – net	**(657)**	(606)
Dividend received from an associate	**(600)**	–
Impairment Charge (note (b))	**(6,443)**	–
Balance at 31 December	**14,870**	18,570

(a) In April and June 2017, the Group entered into agreements with Wuhan Hong Ruida Information Technology Limited Company ("Hong Ruida"), to further acquire 40% equity interest with a consideration of RMB10,000,000, of which RMB4,000,000 has been paid in 2017. The Group holds 49.19% equity interest of Hong Ruida as at 31 December 2017.

(b) During the year, the Group performed an impairment assessment of its investment in Hong Ruida which cannot meet target of operation. Impairment charge of RMB6,443,000 has been made against the carrying amount of RMB10,874,000 in Hong Ruida.

11. Available-for-sale Financial Assets

	As at 31 December	
	2017	2016
Balance at 1 January	**3,349**	3,349
Impairment charge	**(793)**	–
Balance at 31 December	**2,556**	3,349

(a) The amounts mainly represents an investment in a private company in Taiwan – International United Technology Company Limited ("IUT"), its principal activities are research, development and manufacturing of inkjet print heads. As at 31 December 2017, the Group holds 9.22% equity interests of this company.

As at 31 December 2017, a provision of RMB793,000 has been made, due to IUT's performance cannot meet expectation. The fair value of IUT is based on its net assets per share. The fair value is within level 3 of fair value hierarchy.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. Financial Instruments by Categories

	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 2017				
Available-for-sale financial assets (note 11)	**–**	**–**	**2,556**	**2,556**
Financial Assets at Fair Value Through Profit or Loss (note 15)	**20,092**	**–**	**–**	**20,092**
Trade and other receivables, excluding prepayments (note 14)	**–**	**48,447**	**–**	**48,447**
Restricted cash (note 17)	**–**	**58,373**	**–**	**58,373**
Cash and cash equivalents (note 16)	**–**	**171,056**	**–**	**171,056**
	20,092	**277,876**	**2,556**	**300,524**
At 31 December 2016				
Available-for-sale financial assets (note 11)	–	–	3,349	3,349
Trade and other receivables, excluding prepayments (note 14)	–	35,408	–	35,408
Restricted cash (note 17)	–	127,781	–	127,781
Cash and cash equivalents (note 16)	–	198,516	–	198,516
	–	361,705	3,349	365,054

	Other financial liabilities
Liabilities as per consolidated balance sheet	
At 31 December 2017	
Borrowings (note 20)	**80,154**
Trade and other payables	**46,096**
At 31 December 2016	
Borrowings (note 20)	161,010
Trade and other payables	43,144

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

13. Inventories

	As at 31 December	
	2017	2016
Raw materials	**51,721**	64,510
Work in progress	**3,663**	4,504
Finished goods	**24,411**	20,099
	79,795	89,113

The cost of inventories recognized in the statement of profit or loss amounted to RMB245,594,000 (2016: RMB333,849,000).

During the year, the write-down of inventories amounted to RMB596,000 (2016:RMB2,381,000) and has been recognized as cost of goods sold in the statement of profit or loss.

14. Trade and Other Receivables

	As at 31 December	
	2017	2016
Trade receivables		
– Third parties	**16,914**	19,108
Less: provision for impairment of trade receivables	**–**	–
Trade receivables – net	**16,914**	19,108
Bills receivable (note (a))	**16,682**	5,647
Prepayments	**3,331**	3,626
Other receivables		
– Third parties	**11,281**	8,603
– Related parties (note 33)	**4,390**	2,870
Less: provision for impairment of other receivables	**(820)**	(820)
Other receivables – net	**14,851**	10,653
	51,778	39,034

(a) As at 31 December 2017 and 2016, bills receivable represent bank acceptance bills.

(All amounts in Renminbi thousands unless otherwise stated)

14. Trade and Other Receivables (continued)

(b) 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 2017, the ageing analysis of the trade receivables based on invoice date, including amounts due from related parties of trading in nature, is as follows:

	As at 31 December	
	2017	2016
Less than 30 days	**9,786**	15,045
31-90 days	**1,181**	1,595
91-180 days	**4,585**	1,190
181-365 days	**621**	435
Over 365 days	**741**	843
	16,914	19,108

(c) 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 2017, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2017, trade receivables of RMB1,362,000 were past due but not impaired (31 December 2016: RMB1,278,000). The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2017	2016
Past due but not impaired:		
181-365 days	**621**	435
Over 365 days	**741**	843
	1,362	1,278

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)

14. Trade and Other Receivables (continued)

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

	As at 31 December	
	2017	2016
RMB	**47,550**	29,656
US$	**751**	4,592
HK$	**146**	1,160
	48,447	35,408

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

15. Financial Assets at Fair Value Through Profit or Loss

	As at 31 December	
	2017	2016
A wealth management product	**20,092**	–

Changes of financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows (note 31).

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

The fair value is within level 3 of fair value hierarchy.

The amounts represented the deposit in a commercial bank in the PRC with a guaranteed capital protection and maturity of 6 months.

(All amounts in Renminbi thousands unless otherwise stated)

16. Cash and Cash Equivalents

	As at 31 December	
	2017	2016
Cash at bank and in hand	**171,056**	198,516

	As at 31 December	
	2017	2016
Denominated in:		
RMB	**156,850**	166,913
US$	**7,664**	8,054
HK$	**5,291**	22,145
TWD	**1,162**	1,319
Other currencies	**89**	85
	171,056	198,516

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

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

17. Restricted Cash

	As at 31 December	
	2017	2016
Non-current		
Guarantee deposits for loans (note (a))	**57,960**	57,960
Other guarantee deposit	**160**	170
	58,120	58,130
Current		
Guarantee deposits for loans	**–**	69,550
Other guarantee deposit	**253**	101
	253	69,651
	58,373	127,781

(a) Amount represent cash deposited in a PRC bank as security for the Group's bank borrowing of HK$60,000,000 (equivalent to RMB50,154,000) (2016: HK$60,000,000 (equivalent to RMB53,670,000)) (note 20(a)).

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

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
Issued and fully paid					
Balance at 1 January 2016	624,167,000	6,242	6,478	140,971	147,449
Exercise of share options (note 19 (iii))	2,037,000	20	17	2,647	2,664
Placing of new shares	12,000,000	120	107	16,441	16,548
Dividends	–	–	–	(142,083)	(142,083)
Balance at 31 December 2016	638,204,000	6,382	6,602	17,976	24,578
Balance at 1 January 2017	**638,204,000**	**6,382**	**6,602**	**17,976**	**24,578**
Exercise of share options (note 19 (iii))	**859,500**	**9**	**8**	**1,244**	**1,252**
Placing of new shares (note (a))	**18,000,000**	**180**	**159**	**25,308**	**25,467**
Balance at 31 December 2017	**657,063,500**	**6,571**	**6,769**	**44,528**	**51,297**

(a) On 26 January 2017, the Company has completed a placement of 18,000,000 new shares at the placing price of HK$1.65 per share and received net proceeds of approximately HK$28,809,000 (equivalent to RMB25,467,000).

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. Other Reserves

	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 2016	136,904	90,445	5,940	(520)	232,769
Share options granted to employees	–	–	5,102	–	5,102
Share options forfeited during the year	–	–	(9)	–	(9)
Exercise of share options	–	–	(553)	–	(553)
Transfer from retained earnings	–	8,604	–	–	8,604
Balance at 31 December 2016	136,904	99,049	10,480	(520)	245,913
Balance at 1 January 2017	**136,904**	**99,049**	**10,480**	**(520)**	**245,913**
Share options granted to employees	**–**	**–**	**3,914**	**–**	**3,914**
Share options forfeited during the year	**–**	**–**	**(5)**	**–**	**(5)**
Exercise of share options	**–**	**–**	**(283)**	**–**	**(283)**
Transfer from retained earnings	**–**	**3,104**	**–**	**–**	**3,104**
Balance at 31 December 2017	**136,904**	**102,153**	**14,106**	**(520)**	**252,643**

(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 reorganization 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 Enterprise 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)

(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 2017:

Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Number of share options: Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Forfeited during the year (note (b))	Outstanding at 31December 2017
22 July 2011 (note (a))	1.00	22 July 2011 to 22 July 2015	22 July 2012 to 22 July 2017	**65,000**	**–**	**(65,000)**	**–**	**–**
10 December 2013 (note (a))	1.18	10 December 2013 to 10 December 2017	10 December 2014 to 10 December 2019	**2,780,500**	**–**	**(657,000)**	**–**	**2,123,500**
17 December 2014 (note (a))	1.70	17 December 2014 to 17 December 2018	17 December 2015 to 17 December 2020	**18,192,500**	**–**	**(137,500)**	**(300,000)**	**17,755,000**
15 May 2015 (note (a))	2.17	15 May 2015 to 15 May 2019	15 May 2016 to 15 May 2021	**12,620,000**	**–**	**–**	**–**	**12,620,000**
				33,658,000	**–**	**(859,500)**	**(300,000)**	**32,498,500**
		Exercisable at the end of the year		**–**	**–**	**–**	**–**	**21,058,500**
		Weighted average exercise price		**HK$1.83**	**–**	**HKD1.25**	**HKD1.70**	**HKD1.85**

(a) The first 25% of the option can be exercised at any time on and after the first anniversary of the grant of the option. The next 25% of the option can be exercised at any time commencing from the second anniversary of the grant of the option. The third 25% of the option can be exercised at any time commencing from the third anniversary of the grant of the option. The fourth 25% of the option can be exercised at any time commencing from the fourth anniversary of the grant of the option.

(b) During the year, 300,000 share options were forfeited and RMB5,000 was reversed in the consolidated income statement and the other reserve account.

(All amounts in Renminbi thousands unless otherwise stated)

19. Other Reserves (continued)

(iii) Share options reserve (continued)

For the year ended 31 December 2016:

				Number of share options				
Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2016
22 July 2011 (note (a))	1.00	22 July 2011 to 22 July 2015	22 July 2012 to 22 July 2017	557,500	–	(492,500)	–	65,000
10 December 2013 (note (a))	1.18	10 December 2013 to 10 December 2017	10 December 2014 to 10 December 2019	4,017,500	–	(1,237,000)	–	2,780,500
17 December 2014 (note (a))	1.70	17 December 2014 to 17 December 2018	17 December 2015 to 17 December 2020	18,800,000	–	(307,500)	(300,000)	18,192,500
15 May 2015 (note (a))	2.17	15 May 2015 to 15 May 2019	15 May 2016 to 15 May 2021	12,720,000	–	–	(100,000)	12,620,000
				36,095,000	–	(2,037,000)	(400,000)	33,658,000
		Exercisable at the end of the year		–	–	–	–	10,123,000
		Weighted average exercise price		HK$1.80	–	HK$1.21	HK$1.82	HK$1.83

Share options were 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 32,498,500 outstanding options (2016: 33,658,000), 21,085,500 options (2016: 10,123,000) were exercisable as at 31 December 2017. During the year, 859,500 shares (2016: 2,037,000) were issued at a weighted average price of HK$1.25 each (2016: HK$1.21).

The respective weighted average share price at the time of exercise was HK$1.83 (2016: HK$1.60) per share.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

20. Borrowings

	As at 31 December	
	2017	2016
Non-current		
Secured bank borrowing (note (a))	**50,154**	53,670
Current		
Unsecured bank borrowing (note (b))	**30,000**	–
Secured bank borrowings	**–**	107,340
Balance at 31 December 2017	**80,154**	161,010

(a) Amount represents the bank borrowing of HK$60,000,000 (equivalent to RMB50,154,000) (2016: HK$60,000,000 (equivalent to RMB53,670,000)), which bears an interest of 1.65% per annum over one-month HIBOR, repayable within two years and is secured by the Group's bank deposit of RMB57,960,000 (note 17 (a)).

(b) Amount represents the bank borrowing of RMB30,000,000 in 2017, which bears an interest of 4.35% per annum, repayable within 1 year.

The fair value of the borrowing equals its carrying amount, as the impact of discounting is not significant.

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2017	2016
– expiring within one year	**93,436**	121,624

21. Deferred Income Tax

	As at 31 December	
	2017	2016
Deferred income tax asset to be recovered within 12 months	**(2,190)**	(2,682)
Deferred income liabilities to be payable within 12 months	**667**	1,073
Deferred tax assets – net	**(1,523)**	(1,609)

(All amounts in Renminbi thousands unless otherwise stated)

21. Deferred Income Tax (continued)

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

	2017	2016
Balance at 1 January	**(1,609)**	799
Charged/(credited) to the consolidated income statement	**86**	(2,408)
Balance at 31 December	**(1,523)**	(1,609)

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 2016	1,546	18	1,564
Credited to the consolidated income statement	(473)	(18)	(491)
At 31 December 2016	1,073	–	1,073
At 1 January 2017	**1,073**	**–**	**1,073**
Credited to the consolidated income statement	**(406)**	**–**	**(406)**
At 31 December 2017	**667**	**–**	**667**

Deferred income tax assets	**Difference of carrying amount of equipment over the tax bases**	**Tax losses**	**Total**
At 1 January 2016	(67)	(698)	(765)
Charged/(credited) to the consolidated income statement	67	(1,984)	(1,917)
At 31 December 2016	–	(2,682)	(2,682)
At 1 January 2017	**–**	**(2,682)**	**(2,682)**
Charged to the consolidated income statement	**–**	**492**	**492**
At 31 December 2017	**–**	**(2,190)**	**(2,190)**

Deferred income tax assets are recognized for tax loss carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2017, the tax losses of certain group companies amounted to RMB12,109,000 will be expired from 2 to 5 years.

(All amounts in Renminbi thousands unless otherwise stated)

22. Trade and Other Payables

	As at 31 December	
	2017	2016
Trade payables		
– Third parties	**27,163**	30,443
– An associate	**–**	1,159
– Related parties (note 33)	**2,381**	3,287
	29,544	34,889
Other payables to third parties	**42,183**	60,154
Dividends payable	**975**	975
Advances from customers	**13,615**	2,750
	86,317	98,768

At 31 December 2017, the ageing analysis of the trade payables based on invoice date, including amounts due to related parties of trading nature, is as follows:

	As at 31 December	
	2017	2016
Less than 30 days	**22,644**	23,469
31-90 days	**4,390**	7,381
91-180 days	**545**	756
181-365 days	**547**	1,356
Over 365 days	**1,418**	1,927
	29,544	34,889

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

	As at 31 December	
	2017	2016
RMB	**78,778**	89,679
US$	**4,595**	7,093
HK$	**1,530**	697
TWD	**1,150**	880
Other currencies	**264**	419
	86,317	98,768

(All amounts in Renminbi thousands unless otherwise stated)

23. Other Income

	2017	2016
Interest income of bank deposits	**5,792**	7,507
Incentive subsidy	**1,368**	2,012
Repairs and maintenance service income – net	**503**	443
	7,663	9,962

24. Expenses by Nature

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

	2017	2016
Depreciation of property, plant and equipment and amortization of land use rights and intangible assets (notes 6, 7 and 8)	**9,692**	7,394
Raw materials and consumables recognized in cost of goods sold and expenses	**212,872**	309,252
Provision for impairment of receivables	**–**	322
Employee benefit expenses (note 25)	**75,335**	75,833
Operating leases	**3,461**	3,488
Transportation expenses	**6,674**	8,515
Auditor's remuneration	**1,754**	1,586
– Audit services	**1,664**	1,494
– Non-audit services	**90**	92
Advertising and promotion fees	**6,373**	7,115
Others	**38,545**	36,951
	354,706	450,456

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

25. Employee Benefit Expenses

	2017	2016
Wages and salaries	**58,621**	57,936
Share options granted to employees (note 19)	**3,914**	5,102
Staff welfare and insurance	**7,738**	7,271
Pension costs – defined contribution plans	**5,062**	5,524
	75,335	75,833

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2016: two) directors whose emoluments are reflected in the analysis in benefits and interests of directors (note 36). The emoluments payable to the remaining two (2016: three) out of the five highest paid individuals during the year are as follows:

	2017	2016
Salaries and other benefits	**2,336**	2,170
Retirement scheme contributions	**18**	90
Compensation for loss of office	**–**	620
	2,354	2,880

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK dollar)		
HK$0 – HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**–**	2

(All amounts in Renminbi thousands unless otherwise stated)

26. Other Gains – Net

	2017	2016
Foreign exchange gains/(losses) – net	**1,761**	(1,546)
Impairment of available for sale financial assets (note 11(a))	**(793)**	–
Losses from disposal of machinery and equipment	**(398)**	(255)
Gains/(losses) on financial assets at fair value through profit or loss – net	**92**	(263)
Penalty charged to a supplier	**–**	3,290
Others	**861**	(850)
	1,523	376

27. Finance expenses – Net

	2017	2016
Interest expenses on bank borrowings	**(4,016)**	(2,116)
Exchange gains/(losses) on bank borrowings	**3,516**	(5,292)
	(500)	(7,408)

28. Income Tax Expenses

	2017	2016
Current income tax expenses		
– Hong Kong profits tax (note (a))	**–**	(684)
– PRC corporate income tax (note (b))	**(3,757)**	(14,339)
– PRC dividend withholding tax (note (c))	**(2,750)**	(4,825)
	(6,507)	(19,848)
Deferred income tax	**(86)**	2,408
	(6,593)	(17,440)

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

28. Income Tax Expenses (continued)

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:

	2017	2016
Profit before tax	**20,068**	78,505
Tax calculated at tax rates applicable to profits in the respective entities of the Group	**(3,816)**	(13,715)
Additional deductible allowance for research and development expenses	**1,138**	1,087
Expenses not deductible for tax purposes	**(1,170)**	(225)
Tax effect of share of profit or loss of associates	**5**	(195)
Recognition of previously unrecognised tax losses	**–**	433
PRC withholding income tax	**(2,750)**	(4,825)
	(6,593)	(17,440)

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2017 (2016: 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%. As Kongyue Information has been qualified as High and New Technology Enterprises ("HNTE") for three years from 2017 to 2020, it enjoys a preferential CIT rate at 15% for the year ended 31 December 2017 (2016: 15%). The effective CIT rate of other Group entities in the PRC is 25% (2016: 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.

28. Income Tax Expenses (continued)

(c) PRC dividend withholding tax (continued)

During the year, the Group has made a provision for withholding income tax of RMB2,750,000 (2016: RMB4,825,000). The Group has not made provision for deferred income tax of RMB996,000 (31 December 2016: RMB2,615,000) for the unremitted earnings of the PRC subsidiaries of RMB19,928,000 (31 December 2016: RMB52,304,000) 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. 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.

	2017	2016
Profit attributable to the shareholders of the Company (RMB'000)	**13,853**	61,176
Weighted average number of ordinary shares in issue (shares in thousands)	**655,749**	626,089
Basic earnings per share (RMB per share)	**0.021**	0.098

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

29. Earnings Per Share (continued)

– 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.

	2017	2016
Profit attributable to the shareholders of the Company (RMB'000)	**13,853**	61,176
Weighted average number of ordinary shares in issue (shares in thousands)	**655,749**	626,089
Adjustments for share options (shares in thousands)	**296**	729
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	**656,045**	626,818
Diluted earnings per share (RMB per share)	**0.021**	0.098

30. Dividends

	2017	2016
Interim dividend paid	**–**	28,000
Interim special dividend paid	**–**	150,026
Proposed final dividend of RMB0.019 (2016: RMB0.033) per ordinary share (note (a))	**12,500**	22,000
	12,500	200,026
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.033 (2016: RMB0.053) per ordinary share	**22,000**	33,000

(a) At the board of directors meeting held on 22 March 2018, the directors of the Company proposed a final dividend for the year ended 31 December 2017 of approximately RMB12,500,000 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 2017 but will be reflected as dividends distribution for the year ending 31 December 2018.

(All amounts in Renminbi thousands unless otherwise stated)

31. Cash flow information

(a) Cash Generated from Operating Activities

	2017	2016
Profit for the year	**13,475**	61,065
Adjustments for:		
– Income tax expenses	**6,593**	17,440
– Depreciation of property, plant and equipment	**8,633**	6,611
– Amortization of land use rights	**289**	289
– Amortization of intangible assets	**770**	494
– Losses from disposal of property, plant and Equipment	**398**	255
– Interest income	**(5,792)**	(7,507)
– Share options granted to employees	**3,914**	5,102
– Share options forfeited during the year	**(5)**	(9)
– Gains on profit from financial assets at fair value through profit or losses	**(92)**	–
– Finance expenses – net	**500**	7,408
– Exchange losses/(gains) on cash and cash equivalents	**1,345**	(2,120)
– Loss on fair value adjustment to receivables due from an associate	**219**	–
– Impairment of available for sale financial assets	**793**	–
– Impairment of investment in an associate	**6,443**	–
– Share of losses of investments accounted for using the equity method	**657**	606
	38,140	89,634
Changes in working capital:		
– Inventories	**9,318**	13,254
– Trade and other receivables	**(11,756)**	(10,385)
– Restricted cash	**(142)**	178
– Financial assets at fair value through profit or loss	**–**	5,426
– Trade and other payables	**(13,047)**	(17,920)
Cash generated from operations	**22,513**	80,187

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

31. Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities		
	Borrowing due within 1 year	**Borrowing due after 1 year**	**Total**
	RMB'000	RMB'000	RMB'000
	(note 20)	(note 20)	
Liabilities arising from financing activities as at 1 January 2017	(107,340)	(53,670)	(161,010)
Cash flows	77,340	–	77,340
Foreign exchange adjustments	–	3,516	3,516
Liabilities arising from financing activities as at 31 December 2017	(30,000)	(50,154)	(80,154)

(All amounts in Renminbi thousands unless otherwise stated)

32. Commitments

(a) Capital commitments

The future aggregate minimum payments of office building renovation are as follows:

	2017	2016
No later than 1 year	**2,333**	2,824
Later than 1 year and not later than 5 years	**36**	326
	2,369	3,150

(b) Operating lease commitments

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

	2017	2016
No later than 1 year	**1,177**	1,278
Later than 1 year and not later than 5 years	**704**	387
	1,881	1,665

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

33. Related-party Transactions

Mr. Au controls 100% of Au Pak Yin, Tai Noi Kit Family Holdings Limited and in turn control 100% of Kytronics Growth Limited and Kytronics. Mr. Au controls the 67.48% shareholdings of Kytronics in the Company.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties.

(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
Palace International Hotel (“Palace”)	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
Hong Ruida	An associate of the Group

(All amounts in Renminbi thousands unless otherwise stated)

33. Related-party Transactions (continued)

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

		2017	2016
(i)	**Purchase of goods and services** (note (b-1))		
	– Guangdong Precision	**17,153**	20,457
	– Guangdong Zhongding	**3,334**	3,916
	– Palace	**1,004**	251
	– Jiangmen Yida*	**–**	13
		21,491	24,637

* Due to the Au Family transferred all the shares of Jiangmen Yida to a third party in June 2016, Jiangmen Yida ceased to be the related party.

		2017	2016
(ii)	**Handling fees** (note (b-2))		
	– KY Import/Export	**85**	974
(iii)	**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	**5,498**	5,568
	– Share options	**337**	478
	– Retirement scheme contribution	**62**	59
		5,897	6,105
(iv)	**Year-end balances with related parties** (note (b-3))		
	Trade and other receivables from related parties (note 14)		
	– Industrial Park	**2,609**	2,870
	– Hong Ruida (note (b-4))	**1,781**	–
		4,390	2,870
	Trade payables to related parties (note 22)		
	– Guangdong Precision	**1,738**	2,290
	– Guangdong Zhongding	**643**	765
	– KY Import/Export	**–**	232
		2,381	3,287

33. Related-party Transactions (continued)

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

Notes:

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

(b-2) The handling fees charged by KY Import/Export in relation to import of materials of the Group are approximately 1% of purchase price of the materials. The handling fees charged by KY Import/Export in relation to export products are equivalent to 1% of the full contract price of the products. During the year ended 31 December 2017, the handling fees charged by KY Import/Export in relation to import and export of materials amounted to RMB64,000 and RMB21,000, respectively (31 December 2016: RMB819,000 and RMB155,000, respectively).

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

(b-4) During the year, the Group has advanced a loan to Hong Ruida, which is interest free and repayable in 2020.

34. Events after the reporting period

Pursuant to a resolution of the Board of Directors of the Company in November 2017, it has decided to repurchase shares. As at the date of the report, 6,384,000 shares were repurchased and cancelled.

(All amounts in Renminbi thousands unless otherwise stated)

35. Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2017	2016
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**228,371**	224,415
Current assets			
Amounts due from subsidiaries		**48,313**	33,142
Cash and cash equivalents		**3,793**	18,871
		52,106	52,013
Total assets		**280,477**	276,428
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**51,297**	24,578
Other reserves		**225,825**	222,199
Retained earnings		**182**	26,042
Total equity		**277,304**	272,819
LIABILITIES			
Current liabilities			
Trade and other payables		**3,173**	3,609
Total liabilities		**3,173**	3,609
Total equity and liabilities		**280,477**	276,428

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

35. Balance Sheet and Reserve Movement of the Company (continued)

(a) Reserve movement of the Company

	Retained earnings	Other reserves
At 1 January 2016	45,773	217,659
Profit for the year	49,620	–
Dividends (note 30)	(69,351)	–
Share options granted to employees	–	5,102
Exercise of share options	–	(553)
Share options forfeited during the year	–	(9)
At 31 December 2016	26,042	222,199
At 1 January 2017	**26,042**	**222,199**
Loss for the year	**(3,860)**	**–**
Dividends (note 30)	**(22,000)**	**–**
Share options granted to employees	**–**	**3,914**
Exercise of share options	**–**	**(283)**
Share options forfeited during the year	**–**	**(5)**
At 31 December 2017	**182**	**225,825**

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

(All amounts in Renminbi thousands unless otherwise stated)

36. Benefits and Interests of Directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2017:

Name	Fees	Salaries	Discretionary bonuses	Housing allowance	Allowances and benefits in kind	Employee's contribution to retirement scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Mr. Au Pak Yin	225	1,578	–	–	92	–	–	1,895
Mr. Au Kwok Lun (Chief Executive Officer)	225	1,089	–	–	104	16	–	1,434
Mr. Ou Guo Liang	225	244	–	–	104	16	–	589
Mr. Lai Ming, Joseph*	225	–	–	–	–	–	–	225
Mr. Meng Yan*	110	–	–	–	–	–	–	110
Mr. Xu Guangmao*	110	–	–	–	–	–	–	110
Mr Yeung Kwok Keung*	225	–	–	–	–	–	–	225
	1,345	2,911	–	–	300	32	–	4,588

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

36. Benefits and Interests of Directors (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2016:

Name	Fees	Salaries	Discretionary bonuses	Housing allowance	Allowances and benefits in kind	Employee's contribution to retirement scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Mr. Au Pak Yin	221	1,547	–	–	91	–	–	1,859
Mr. Au Kwok Lun (Chief Executive Officer)	221	1,077	–	–	102	15	–	1,415
Mr. Ou Guo Liang	221	239	–	–	102	15	–	577
Mr. Lai Ming, Joseph*	221	–	–	–	–	–	–	221
Mr. Meng Yan*	111	–	–	–	–	–	–	111
Mr. Xu Guangmao*	111	–	–	–	–	–	–	111
Mr Yeung Kwok Keung*	221	–	–	–	–	–	–	221
	1,327	2,863	–	–	295	30	–	4,515

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

During the years ended 2017 and 2016, none of the directors of the Company waived their emoluments nor have agreed to waive their emoluments.

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiary undertaking		**Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the company or its subsidiary undertaking**		**Total**	**Total**
2017	2016	**2017**	2016	**2017**	2016
4,288	4,220	**300**	295	**4,588**	4,515

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the 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 years 2017 and 2016 or at any time during the years ended 2017 and 2016.

Five-Year Financial Summary

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated Balance Sheets

	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
ASSETS					
Non-current assets					
Property, plant and equipment	**94,402**	89,488	88,642	91,985	88,725
Land use right	**8,299**	8,588	8,877	9,166	9,455
Intangible assets	**11,911**	12,681	9,463	8,730	389
Investments accounted for using the equity method	**14,870**	18,570	10,176	89	95
Available-for-sale financial assets	**2,556**	3,349	3,349	4,480	4,480
Deferred income tax assets	**2,190**	2,682	–	560	–
Restricted cash	**58,120**	58,130	160	30,100	60,000
Other receivables	**1,781**	–	–	–	–
	194,129	193,488	120,667	145,110	163,144
Current assets					
Inventories	**79,795**	89,113	102,367	95,917	118,191
Trade and other receivables	**49,997**	39,034	28,666	43,563	39,509
Financial assets at fair value through profit or loss	**20,092**	–	5,426	8,779	7,641
Structured deposits in a bank	**–**	–	–	30,000	31,500
Restricted cash	**253**	69,651	30,289	60,390	10,257
Cash and cash equivalents	**171,056**	198,516	308,739	223,645	199,634
	321,193	396,314	475,487	462,294	406,732
Total assets	**515,322**	589,802	596,154	607,404	569,876
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	**51,297**	24,578	147,449	102,806	99,088
Other reserves	**252,643**	245,913	232,769	217,428	208,653
Retained earnings	**40,365**	51,616	68,395	68,453	58,019
	344,305	322,107	448,613	388,687	365,760
Non-controlling interests	**(455)**	(77)	60	75	44
Total equity	**343,850**	322,030	448,673	388,762	365,804
LIABILITIES					
Non-current liabilities					
Borrowings	**50,154**	53,670	–	27,896	83,313
Deferred income tax liabilities	**667**	1,073	799	–	2,325
	50,821	54,743	799	27,896	85,638
Current liabilities					
Trade and other payables	**86,317**	98,768	112,814	100,432	103,221
Current income tax liabilities	**4,334**	6,921	4,243	6,715	5,469
Borrowings	**30,000**	107,340	29,625	83,599	9,744
	120,651	213,029	146,682	190,746	118,434
Total liabilities	**171,472**	267,772	147,481	218,642	204,072
Total equity and liabilities	**515,322**	589,802	596,154	607,404	569,876
Net current assets	**200,542**	183,285	328,805	271,548	288,298
Total assets less current liabilities	**394,671**	376,773	449,472	416,658	451,442

Five-Year Financial Summary (continued)

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated Income Statement

	2017	2016	2015	2014	2013
Revenue	**373,188**	526,637	496,975	548,762	581,313
Cost of goods sold	**(241,790)**	(331,730)	(306,373)	(357,684)	(419,807)
Gross profit	**131,398**	194,907	190,602	191,078	161,506
Other income	**7,663**	9,962	12,952	9,858	11,215
Selling and marketing expenses	**(37,740)**	(43,263)	(37,593)	(30,466)	(30,140)
Administrative expenses	**(47,065)**	(48,629)	(48,223)	(45,053)	(43,048)
Research and development expenses	**(28,111)**	(26,834)	(25,430)	(24,005)	(20,927)
Other gains/(losses) – net	**1,523**	376	25,257	(677)	3,313
Operating profit	**27,668**	86,519	117,565	100,735	81,919
Finance expenses – net	**(500)**	(7,408)	(3,948)	(2,791)	(226)
Share of losses of investments accounted for using the equity method	**(657)**	(606)	(613)	(11)	(2)
Impairment of investment in an associate	**(6,443)**	–	–	–	–
Profit before income tax	**20,068**	78,505	113,004	97,933	81,691
Income tax expenses	**(6,593)**	(17,440)	(24,098)	(15,297)	(13,972)
Profit for the year	**13,475**	61,065	88,906	82,636	67,719
Attributable to:					
Shareholders of the Company	**13,853**	61,176	88,921	82,605	67,706
Non-controlling interests	**(378)**	(111)	(15)	31	13
	13,475	61,065	88,906	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	**0.021**	0.098	0.147	0.147	0.121
– Diluted	**0.021**	0.098	0.147	0.146	0.121