Jolimark Holdings Limited
映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2028

2019
Annual Report

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

Ms. Kan Lai Kuen, Alice
Mr. Meng Yan
Mr. Yeung Kwok Keung

Registered Office

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Principal Place of Business in Hong Kong

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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

Ms. Kan Lai Kuen, Alice *(Chairman)*
Mr. Meng Yan
Mr. Yeung Kwok Keung

Remuneration Committee

Mr. Yeung Kwok Keung *(Chairman)*
Mr. Meng Yan
Ms. Kan Lai Kuen, Alice
Mr. Au Kwok Lun

Nomination Committee

Ms. Kan Lai Kuen, Alice *(Chairman)*
Mr. Meng Yan
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 2019, the Group recorded revenue of approximately RMB297,064,000, a decrease of approximately 10% from 2018. Loss attributable to shareholders of the Company during the year was approximately RMB36,057,000. In 2019, the weak in market demand for invoicing printers led to a decrease in revenue, and the Company's effort in strengthening of marketing and promotion policy contributed to the decrease in our gross profit margin. Meanwhile, provision for assets caused the loss for the year of the Group.

The revenue generated from our printer business was approximately RMB291,390,000, representing approximately 98% of the Group's revenue and a decrease of approximately 11% from 2018. Revenue generated by the manufacture of other products business was approximately RMB5,674,000.

Guided by the strategic principle of "printer as cloud application",, the Group laid a solid foundation for the operation of its 6 key business initiatives and sectors, namely printing equipment, cloud printing and cloud-based application, tax control solutions, new retail business, interactive education platform and video conference system, as well as health and medical equipment products and protective masks and made more progress.

After years of research, development and promotion, the Group has become a major tax control solution and printing equipment provider in the country and a famous domestic brand. For printing equipment, various new printing products will be launched in 2020. In 2020, the Company will have better market opportunities in tax control sector. With cloud printing as one of the most essential services in the era of SaaS (software as service), the Company has developed into a cloud printing service provider that is one of the first to set firm footing in integrating software and hardware businesses and proposed the ground-breaking principle of "printer as cloud application". Jolimark cloud printing public platform and Jolimark cloud printing application solutions are two key core technologies which enable the Company to explore and capture new markets.

For the new retail business, the Kamo viral marketing system is the core product of the Company. Jolimark Coffee Art Printer shows respect and care. Jolimark Colour Manicure Machine can paint and dry in one machine. Also, there are other traditional retail equipment. After the Company's efforts in previous year, our new retail business has formed sizable products.

For video business, the Company strives to develop the one-to-many video interactive education platform with main application in training and consulting, seeking to replicate the on-site experience as if the instructor is physically present for the student's class or consultation. Also, there are many similarities between the video interactive education platform and video interactive conference system, sharing basic technologies and strategic principles in common.

After a few years of product research and development, the Company has launched a series of new products in its brand new sector of health and medicine equipment, including portable oxygen generators, medical-grade noiseless compressor-based nebulisers, and noiseless craft air bumps and other new products. Owing to the COVID-19 outbreak and the global demand for protective face masks, the Group has converted part of the existing dust-free workshops to establish a face mask production facility. The testing and certification of the facility and trial production have been completed and mass production will commence. The facility will produce disposable medical masks. More masks of different protection levels will be produced when additional production lines are added.

The sudden outbreak of the new coronavirus pneumonia has led to labour flow obstruction, logistics delay and consumption restriction, which gives rise to more material adverse impact on the development of overall market economy. It will also cause certain impacts on the short-term sales of the Group. The Group works properly on epidemic prevention and control and resume work actively, and develop or produce medical and health products to reduce the impact of the epidemic on the Group. Looking forward to 2020, the Company is entering a challenging and optimistic year. However, as our 6 key business sectors bring better business opportunities, I believe that the Company is on track for continuous and steady development, effectively meeting different kinds of challenges.

Finally, on behalf of the Board, I express my gratitude to our shareholders, the management team, all employees and customers for their support for the Group over the past year. It is with the diligence, energy and optimism of our employees that the Group looks forward for more long-term, satisfactory returns for our shareholders.

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

Hong Kong, 23 March 2020

Management's Discussion and Analysis

Business Review

Printer Business

For the year ended 31 December 2019, the revenue of the Group derived from the printer business amounted to approximately RMB291,390,000, accounted for approximately 98% of the total revenue of the Group, and representing a decrease of approximately 11% as compared with 2018. The decrease in revenue was mainly attributable to the weak demand for invoicing printers in the domestic market in 2019.

Other Products Business

For the year ended 31 December 2019, the revenue of the Group derived from the other products business amounted to approximately RMB5,674,000, accounted for approximately 2% of the total revenue of the Group.

Future Business Outlook

Guided by the strategic principle of "printer as cloud application", in 2019 the Company put developmental emphasis on the R&D and marketing of our self-operated terminals and new retail printers, as well as the development of health and medical equipment products. We made considerable progress with a customer-oriented approach which strived to bring to customers a faultless user experience with our one-of-a-kind products and services. The following is our business outlook for 2020:

Printing Equipment

After years of development, the Company acquired a series of core technologies for printing equipment, including driving technology for dot-matrix, thermal, and inkjet printers, specialised technologies for different types of dot-matrix inkjet heads, electric high-speed running time-precise step algorithm, specialised ASIC controlling chips, inkjet automatic interpolating printing technology, and our sole-proprietary continuous-inkflow processor, among others. For a mechanical and electronic based product like the printer, the Company possesses a design technology platform for integrating complex mechanical structures, as well as four-axes paper feeding, auto-shifting paper feeding passage, large ink cartridge continuous ink-feeding anti-spilling technologies and automatic clay/alloy paper cutter. As for compatible platforms or specifications, it is equipped with Android and iOS wireless printing solutions, uninterrupted printing during power outage or reboot, insertive printing system, power saving management solutions, and missing dot-matrix repair technology. Among our new products, in the first half of 2019 we launched the high-speed high-load flatbed paper feeding dot-matrix printer series, which comprises 80-column, 110-column and 136-column models. They can support 1+6 joint invoice printing as well as 2mm-thick passport printing, adjusting automatically to the thickness of the medium and capable of continuous printing for 24 hours. Addressing the demands for invoice printing to maintain consistency between printed number and punched number or printing pre-made invoices according to barcodes, the Company launched a series of printers with the function of OCR automatic recognition of printed numbers and barcode reading. Such new products solve major problems for customers from public security, taxation, political administration, medicine, disease prevention and real estate management as well as office administration in businesses and enterprises, and have achieved immense popularity. One-of-a-kind products were also introduced to the mini-printers: the self-operated thermal mini-printer, which is equipped with the function of electronically controlled paper storage, anti-invoice loss, and the automatic clay paper cutter, making it suitable for self-operated machines for transport tickets, lottery tickets, and queuing machines; the self-operated driverless mini-printer in metal housing will be launched in the second quarter of 2020; the portable mini dot-matrix printer, which supports dual-connection printing, supports a invoice which can be kept for a long time, giving it a particular edge in the market for inventory invoices for logistics, delivery postage, confirmation bill for delivery and transportation, ambulance bills, among other situations where on-site printing is required for seamless transactions. For inkjet printers, we launched a number of unique products such as the flatbed inkjet printer, which overcomes the challenge of printing on thick paper sheets, continuous feeding and low-noise printing which is rarely achieved in dot-matrix, laser, inkjet and thermal printers, making it unrivalled for deployment in hospitals and nurse stations. It also supports a variety of texture and large-area printing and is of great help to manufacturing, logistics, hotels, florist boutiques and marriage planning companies, among others. In the second half of 2020, a colour-printing version of this printer will be launched to meet a greater scope of applications. The Company already launched the dual-colour ink-jet printing capable of printing in red and black on both sides. With an extra-large ink cartridge and water-proof anti-UV ink, it is most suited for official "red document" printing because the cost of printing is much lower than ink-jet colour printing. These printers are also more eco-friendly than laser printing because it does not emit ozone and dust. In the second half of 2020, the Company will launch its A4 colour inkjet printer to diversify its product lines for ink-jet printer products and enhance its overall competitiveness. To address the rapidly developing demands for self-operated terminals, the Company also completed the research and development of its 300mm wide-page automated paper-cutting process following the release of its automated clay cutter technology in the first quarter of 2020. The clay cutter technology set to become a key component in the Company's self-operated terminal machine products.

Cloud Printing and Cloud Printing Application Solutions

With cloud printing being one of the essential services in the era of SaaS, the Company has transformed itself into a cloud printing service provider. We are one of the first to set a firm footing in the market as a fully integrated software and hardware vendor. Moreover, the Company takes pride in its advocacy of the ground-breaking principle of "printer as cloud application": (1) by scanning the QR code on the printer with a smartphone or mobile terminal, the printer can be connected automatically to an operating system as an access-point to the Internet without installing apps; (2) by intelligent extraction and analysis of massive printing through our cloud printers, they become access-points for smart Big Data. Furthermore, we have also developed products or systems including the SaaS cloud printing, general-use cloud printing, tax control printing solutions, lottery cloud-based self-operated lottery betting terminals, cloud-based self-operated terminals and printing Big Data AI applications. Our SaaS and general-use printers include dot-matrix flatbeds, rolling-drum cloud printers and dox-matrix mini cloud-based printers, as well as thermal cloud-based printers, cloud-based tag printers and inkjet cloud printers. Targeting specific application scenarios, the Company also developed document-sharing cloud-based printers, business reimbursement cloud printers, homework cloud printers and couplet and banner cloud printers. For cloud printing technologies, the Company's innovative PC cloud-driven printers require only simple installation and original PC software (including ERP, financial software, CRM, invoicing software and office administration software) to achieve remote printing and contactless transmission of business invoices across departments without changing usage patterns or habits or requiring any development, turning the home office into a reality. Our lottery self-operated terminals have already been fully launched in Beijing and released on a trial basis in a number of different regions as well. The cloud-based self-operated terminals have been developed into desktop-form, wall-hung form, and kiosk form, with printing outputs compatible with dot-matrix, thermal and ink-jet technologies. It also supports the fully-automated self-operated terminals in metal housings to satisfy demands in different environments. Our USB cloud printer is connected to the server-side AI to extract and intelligently analyse massive printing output data and turning it into a Big Data access point, serving as the basis for the Company's next upgrade. Meanwhile, promotional QR codes can be embedded in printed small-sized electronic invoice which can capitalize on printing e-invoices for precision deployment of advertisements with big data analysis, realizing "printing as marketing".

Tax Control Solution

As a major tax control solution and product provider in the country, the Company has been engaged for many years in the research, development and promotion of tax control products and the provision of tax control solutions. In the traditional realm of tax control dot-matrix printers, the Company developed an integrated scan-print machine with a built-in camera to support OCR automatic recognition of invoice print numbers to solve a major hiccup in tax control with its ability to ensure consistency in print number and punched number to minimize waste in invoices. The Company strictly adheres to national tax control policies with timely development of self-operated electronic invoice printers compatible with Wechat, Alipay, mail, and SMS for electronic invoice transmission. Self-operated printing can be achieved with active or passive scanning. It has become an de facto option for businesses and tax control service providers and is being greatly promoted among telecommunications, gas station, food and beverage, retail stores and supermarkets and public utilities (water, electricity, gas, heating). During self-operated printing of e-invoices, it automatically integrates the insertion of advertisements to the front page of the code scanning on the customer's phone to help the customers launch their advertising campaigns and promotional activities as a notion of "ticketing is marketing". A major hiccup despite many years of promoting tax control which remains unresolved is the separation between vendors' business system and the tax control system. As the invoice content to be issued needs to be entered manually, which slows down the process and also subject to human errors. The USB cloud printer derives invoice-related data from the small ticket and achieves automatic connection with the tax control system, which has become the most preferred tax control solution. Moreover, the Company is able to connect its invoicing system with Kamo (卡莫), the Company's own viral campaigning scan-to-order system, restaurant cashier system, vendor management and hotel management systems, etc., to achieve seamless connectivity between cashier accounting and invoice issuance. It has become the best option for newly opened stores in need of cashier and invoicing management. Furthermore, the Company also offers a general-purpose solution for integrating mobile invoicing and tax control in most other businesses. In 2020, the Company will have better market opportunities in tax control sector.

New Retail Business

As the core product of the Company's new retail business, Kamo is a new retail viral marketing system which supports customisable, socialised viral marketing through fanbase creation, sharing, coupon gifting, rewards and bonuses, and "show and tell" which allow customers/employees/agents to be mobilized in viral transmission of share-based marketing, forging a marketing platform controlled by the business. In particular, "show-and-tell" allows everybody to share different interesting or valuable video clips, pictures, and text messages to facilitate the transmission and circulation of product marketing messages. Different combinations of functional modules and hierarchical authorisation management modes to enable the formulation of different solutions specific to different industries and usages, including self-branding mini official site and mini e-mall, conglomerated payment, and payment page ad links and self-operated e-invoice issuance, etc. The planning is light and customisable for connection with existing public WeChat public accounts and apps, facilitating consolidation and transformation of traffic. Systems developed based on practical application scenarios by the Company for Kamo viral campaigning and invoicing systems include the scan-to-order system, food and beverage management, convenience store management and hotel management. After the Company's efforts in 2019, our new retail business has formed sizable products: (1) Jolimark Coffee Art Printer. Substituting ink with all-natural caramel in food-safe cartridges, it is spongeless in design and has the ink-jets and cartridges fully integrated and replaceable after use. It is safe from bacteria and fully compliance with food safety requirements. It supports a variety of materials, such as coffee foam, milk cap, dark lager, biscuits, brioche, yogurt and ice cream. Besides catering businesses in their daily operation, it also finds usage among other businesses such as banks, insurance companies, hotels, 4S stores, and property sellers for their reception room and conferences, especially for making customised gifts and preparing for drinks to receive guests to show respect and care for their customers. It is compatible with WeChat public accounts, small programmes and mobile applications which support multiple languages for global use. (2) Jolimark Colour Manicure Machine. It can paint and dry in one machine using the ink in three primary colours. It gives colours in high saturation and perfectly replicates the image. It is approved by CFDA and ROHS after testing. The Company also operates an image gallery for nail manicure, combining new images from third-party original manicure designs to bring fashion and surprises to manicure stores and customers. Moreover, a domestic version of the manicure machine will be released in the first half of 2020 with greater price performance ratio and may become a consumer-oriented electronic appliance. (3) Consumables: the coffee art machine requires specialised caramel ink which is estimated to generate revenues not lower than the product price based on regular usage and consumption; the manicure machine also requires nail polish cartridge and packaged polish plastic, which is estimated to generate twice the product price based on regular usage and consumption. Consumable-generated revenues may exceed sales of products. (4) Other traditional retail equipment, such as 5-inch hand-held dot-matrix Android-based smart terminal, 7-inch thermal/dot-matrix POS all-in-one machine, 10- inch smart cashier machine with printer, 13-inch smart cashier, and 43-inch touch-screen self-operated terminal. Among them, the 13-inch and 43-inch products support both Windows and Android.

Video Interactive Education Platform and Conference System

The Company strives to develop the one-to-many video interactive education platform with main application in training and consulting, seeking to replicate the on-site experience as if the instructor is physically present for the student's class or consultation. The system developed and designed by the Company is unique. First, the teacher is able to interact with the students, because the system supports not only one-to-many teaching it is also able to cater for interaction on a one-on-one basis. In other words, the teacher can interact with students any time as if in real life. The teacher can use the one-to-many functionality in centralized instruction or consultation to increase the usage of teacher resources. When individual students need special instructions, the teacher can choose the one-to-one mode to reduce unnecessary interruption of other students. Second, in simulation of real-life education or consultation, the teacher side is equipped with tablet camera and detail camera (such as projector) so that the teacher can demonstrate the tablet, desktop writing, drawing, performance, playing musical instruments on the whiteboard, desktop or in real life. The student side is equipped with detail camera so that the teacher can directly check the students' assignments, practices or performances. Third, in the principle of practicality, different priorities are assigned to audio, video definition and frames-per-second in the case of poor connection, and the priorities for guaranteeing video definition and frames-per-second can be adjusted according to the actual need in the scenario. Fourth, in the principle of user-friendliness, the system is operated intuitively through the video window, operating on the object as the cursor is pointing. Since teachers are usually experienced individuals who are more senior in age who may be less familiar with modern equipment and new systems, user-friendly operation will be their preference in system choice. Therefore, the video interactive education platform developed by the Company has integrated multiple advanced technologies in online interactive videos. It supports multiple control unit (MCU) which allows real-time interaction between different points. The technology also supports MVV (multiple viewpoint video) which allows the user to manipulate and control the viewpoint from which to view the video within a certain range. The system features an AR (augmented reality) system which allows users to make the otherwise bland and monotonous background of the lecture video more interesting. There are many similarities between the video interactive education platform and video interactive conference system, sharing basic technologies and strategic principles in common and can be quickly transformed into a unique video interactive conference system with slight changes or adjustment to user functions or names.

Health and Medicine Equipment and Preventive Mask Products

The Company has obtained the international patented exclusive right to use the revolve-balance four-tank oil-free compressor, which in its initial phase becomes a new product in the Company's brand new sector of health and medical equipment after a few years of product research and development. The revolve-balance four-tank oil-free compressor adopts a four-tank compression technique, with strengths in even release and high compression, relatively small size (compared to other four-tank structures), ultra-low noise, high efficiency and high reliability. This patent can be used to develop portable oxygen generators, medical-grade noiseless compressor-based nebulisers, and noiseless craft air bumps and other new products to great diversity. Portable oxygen generators will fill in a gap in the market which currently lacks domestically produced portable oxygen generators with performance on par with imported products at a lower cost. It detects the breathing pattern of the user to synchronize its production and supply of oxygen to minimise power waste. A physical atomic sieve generates oxygen by extracting it from the atmosphere directly which is much more reliable and cost-effective. The four-tank compression creates a greater amount of oxygen and releases evenly. It has wide application potential such as medicine, hiking, high altitude tourism, personal office and home oxygen bar. The medical-grade noiseless compressor-based nebulizer creates nano-level nebulised particles of medicine through the four-tank compressor with its even release and high pressure, allowing for easy absorption by the human body. The machine can be adjusted to gear towards adults and children, and continuously operate for 24 hours to suit different needs. The noiseless craft air bump is small, portable, with multiple gears for air volume, and is suitable for nail manicure stations, body painting, cosmetics, craft baking, artistic face paint, leather colouring, and model colouring. In addition, the Company has made full use of its emergency capacity and capitalised on its existing dust-free workshops resources to establish medical face mask production lines to produce urgent resources for epidemic control. It is projected that products can be released in the first quarter of 2020 with daily capacity reaching 200,000. Subsequently more masks of different protection levels and models will be produced.

Financial Review

Results Summary

For the year ended 31 December 2019, the Group's turnover amounted to approximately RMB297,064,000, representing a decrease of approximately 10% as compared with last year. The loss attributable to shareholders of the Company amounted to approximately RMB36,057,000, as compared to a loss of RMB28,274,000 last year. The basic loss per share was approximately RMB0.059 (the basic loss per share as at 31 December 2018: RMB0.045). The increase in loss attributable to shareholders was mainly due to the decrease in income from sales and gross profit and the provisions of assets in 2019.

Analysis of Sales and Gross Profit

Compared with 2018, the consolidated revenue of the Group decreased by approximately 10%. Gross profit margin decreases from approximately 32% in 2018 to approximately 29%. The decrease in gross profit margin as compared to 2018 is mainly due to the strengthening of promotion policies.

Capital Expenditure

For the year ended 31 December 2019, capital expenditure of the Group amounted to approximately RMB12,730,000, which was mainly used for the acquisition of production equipment, construction of new office building and customised production of product molds.

Financial and Liquidity Position

As at 31 December 2019, the total assets of the Group amounted to approximately RMB406,571,000 (31 December 2018: RMB429,598,000), controlling shareholder's interests amounted to approximately RMB241,967,000 (31 December 2018: RMB277,798,000); non-controlling interests amounted to approximately RMB(564,000) (31 December 2018: RMB(119,000)); current liabilities amounted to approximately RMB163,442,000 (31 December 2018: RMB119,901,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 1.53 (31 December 2018: 2.28). The decrease in current ratio was mainly attributable to the transfer from long-term borrowings of approximately RMB32,247,000 to current liabilities in current year and the increase in short-term borrowings of RMB10,000,000 in current year.

As at 31 December 2019, the cash and cash equivalents, restricted cash and time deposits of the Group amounted to approximately RMB129,627,000 (31 December 2018: RMB160,602,000) in aggregate, whereas the bank loans of the Group amounted to approximately RMB92,247,000 (31 December 2018: RMB81,543,000). The Group was in a net cash position after deducting the loans.

As at 31 December 2019, the Group received outstanding bank acceptance bills from customers amounted to approximately RMB1,649,000 (31 December 2018: RMB6,494,000).

Pledge of Assets

As of 31 December 2019, deposits with certain banks totaling RMB7,000,000 (31 December 2018: RMB7,000,000) 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 the 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 2019, the Group had more monetary financial assets than financial liabilities 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 November 2018, the Group entered into an agreement with an associate of the Group, Wuhan Hong Rui Da Information Technology Limited Company ("Hong Rui Da"), to acquire its interactive live video business at a consideration of RMB2,640,000. The acquisition was completed on 26 February 2019.

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 2019 (31 December 2018: nil).

Staff

As at 31 December 2019, the Group employed a total of 976 staff members (2018: 1,061 staff members). Apart from 30 employees employed in Hong Kong and overseas, all of the employees of the Group 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.

Final Dividend

The board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2019 (Year ended 31 December 2018: nil).

Closure of Register of Members

The annual general meeting of the Company will be held on Friday, 22 May 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, 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 Monday, 18 May 2020.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises Ms. Kan Lai Kuen, Alice, as the chairman, Mr. Meng Yan and Mr. Yeung Kwok Keung. All of them are independent non-executive Directors. The Audit Committee assists the Board in providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the results of the Group for the year ended 31 December 2019.

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 2019.

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 2019 is set out in the section headed Management's Discussion and Analysis of this annual report.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 49.

No interim dividend for the six months ended 30 June 2019 was paid by the Company. At the Board meeting held on 23 March 2020, the Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (Year ended 31December 2018: nil).

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 2019, 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 RMB233,977,000.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB400,000.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries bought back, sold or redeemed any of the Company's listed securities.

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 decision of the implementation of the policy concerning further expanding the scope of the pilot program of issuance of special invoices by small-scale taxpayers by the State may increase the market demand for the above-mentioned printers. However, the details and effectiveness of such policy and implementation are uncertain to some extent.

The current electronic regular value added tax invoice and the proposed electronic special value added tax invoice 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 actively developed cloud printing technologies with printing as its core technology and market starting point, focusing on developing inkjet printing technology. The Company has launched 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 developed "Jolimark Invoicing Platform" to support multipoint invoicing for electronic invoices and cloud invoicing interfaces.

(b) Macroeconomic Risk

The domestic macro-economy has been on a downward trend 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, provide new retail solutions concerning software and hardware consolidation as well as online and offline integration, 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, interactive education platform, 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 some 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, strengthening purchase of materials and production of planning management, 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 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, take advantage of cloud printer technology to expand the application of printing devices, 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 tax control service providers and 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.

(f) Market risk

The sudden outbreak of the new coronavirus pneumonia has led to labour flow obstruction, logistics delay and consumption restriction, which gives rise to more material adverse impact on the development of overall market economy. It will also cause certain impacts on the short-term sales of the Group. The Group works properly on epidemic prevention and control and resume work actively, develop or produce medical and health products to reduce the impact of the epidemic on the Group. However, such effect is uncertain due to the development of the epidemic and national policies.

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 and promotion pathway for employees.

We strive to motivate employees with a clear career development path and by offering desirable skills training opportunities and competitive remuneration system. 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, operation of management system, sales and production, customer service, quality control, exhibition planning, case analysis, standards and norms, work ethics, environment protection, occupational health and safety 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 appointed an employee representative and set up a suggestion box to understand and collect feedback from employees, and enhanced the conditions of areas which employees are concentrated such as the dormitory, canteen and commuter shuttle bus. We care for our employees in every detail 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. Recently, employee satisfaction has increased year by year reaching 92.8 marks in 2019.

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 and assessment system of outstanding staff and management personnel, 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 reputable suppliers with reliable quality, 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. Onsite 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 by compliance with contracts, credit and management practices, 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, cloud printing appliances and new products such as latte art machines and manicure machines 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 frontline sales personnel to offer quality and value-added services to our end users at the retail stores. Besides, we concern the comments from end customers on e-commerce platforms in order to secure feedbacks about our products and services for improvement.

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 reducing its impact on the environment through reducing electricity consumption, water consumption, paper 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. Strict emission control is also implemented on exhaust gas and domestic wastewater. Every year, a qualified cooperative manufacturer is engaged as testing agency to test the exhaust gas in order to ensure to comply with discharge standards. We have also established and realized our environmental goals, indicators and management plans.

All materials utilized for the renovation of the office building are environmentally-friendly. When introducing the central air-conditioning systems, we give priority to the purchase of advanced energy-saving ventilation equipment and facilities to implement the company's environmental protection philosophy. 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, occupational health and safety, and undergo a compliance assessment to ensure full compliance.

For the year ended 31 December 2019 and as at the date of this annual report, the Group has complied with all relevant laws and regulations in Mainland China and Hong Kong 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.

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 2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 31 December 2019	Percentage of the issued share capital of the Company as at the date of this report	Exercise period
Employees	10 December 2013	1.18 (Note 2 and 3)	2,123,500	–	–	(2,123,500)	–	–	10 December 2014 to 10 December 2019 (Note 1)
Employees	17 December 2014	1.70 (Note 4 and 5)	15,330,000	–	–	(800,000)	14,530,000	2.37%	17 December 2015 to 17 December 2020 (Note 1)
Employees	15 May 2015	2.17 (Note 6 and 7)	12,520,000	–	–	(630,000)	11,890,000	1.94%	15 May 2016 to 15 May 2021 (Note 1)
Total			29,973,500	–	–	(3,553,500)	26,420,000	4.31%	

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$1.18.

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

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

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

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

7. The exercise price was determined by the Board and was fixed at HK$2.17 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

Ms. Kan Lai Kuen, Alice
Mr. Meng Yan
Mr. Yeung Kwok Keung

Pursuant to Article 108(a) of the Articles of Association, at each of the annual general meeting, one third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years. Mr. Au Kwok Lun and Mr. Meng Yan will hold office only until the coming annual general meeting of the Company to be held on Friday, 22 May 2020 (the "AGM"). Mr. Au Kwok Lun, being eligible, will offer himself for re-election at the AGM whilst Mr. Meng Yan has indicated that he will not offer himself 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. Ms. Kan Lai Kuen, Alice has entered into her service contract with the Company for a term of 3 years commencing from 21 May 2019. 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 24 to page 26.

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 2019, 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)	445,027,533 (L)	72.61%
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner	5 (L)	100%

Notes:

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

2. 445,027,533 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 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 2019, 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 2019, 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	445,027,533(Note 2)	72.61% (L)
Kent C. McCarthy	Company	Interest in controlled corporation	31,200,000(Note 3)	5.09% (L)

Notes:

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

2. 445,027,533 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 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. Accordingly, Ms. Tai Noi Kit is deemed to be interested in all the shares in which Mr. Au is interested.

3. 31,200,000 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 2019, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Management contracts

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

Major suppliers and customers

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 36% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 13% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 25% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 7% 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:

	Actual transaction amount for the year ended 31 December 2019 RMB'000
Continuing connected transactions	
(I) Supply agreements with Jiangmen Huasheng Industrial and Manufacturing Co., Limited ("Jiangmen Huasheng")	14,517

Notes:

(i) Guangdong Kong Yue Precision Industry Limited renamed as Jiangmen Huasheng Industrial and Manufacturing Co., Limited on 25 December 2019.

(ii) 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 2019, in aggregate, is RMB50,199,000. 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 36 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

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2019 and at any time up to the date of this annual report.

Model Code for Securities Transactions

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2019 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2019.

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 a 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") in effect (the "CG Code") during the year ended 31 December 2019, 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 of the Company. 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 21 May 2019. Mr. Au Kwok Lun, an executive Director, acted as the Chairman of the meeting. In addition, independent non-executive Directors were also present at the meeting to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

Further information on the corporate governance practice of the Company will also be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2019.

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, 23 March 2020

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 73, 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 47, 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 44, 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. Ou 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

Ms. Kan Lai Kuen, Alice, aged 65, was appointed as an Independent Non-Executive Director on 21 May 2019. Ms. Kan has over 25 years of experience in corporate finance and is well experienced in both the equity and debt markets. She has held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the Managing Director of Asia Investment Management Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO"). Ms. Kan is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Australian Society of Certified Practising Accountants, and an associate member of the Hong Kong Institute of Certified Public Accountants. She is also a licensed responsible officer under the SFO.

Ms. Kan currently also serves as independent non-executive director for several listed companies on the Stock Exchange, namely, Cosmopolitan International Holdings Limited (stock code: 120), Regal Hotels International Holdings Limited (stock code: 78), Shimao Property Holdings Limited (stock code: 813), and is also an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of the Singapore Stock Exchange.

Ms. Kan was an independent non-executive Director of Shougang Concord International Enterprises Company Limited (stock code: 697) between September 2004 and May 2018, China Energine International (Holdings) Limited (stock code: 1185) between January 2008 and March 2020, and Mason Group Holdings Limited (stock code: 273) between May 2017 and November 2019.

Mr. Meng Yan, aged 64, 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 and also holds the posts of the managing director of the China Accounting Society, the managing director of the China Financial Accounting Society and the director of the China Auditing Society. Mr. Meng currently acts as an independent director of Beijing Capital Co., Ltd., an independent director of Beijing Bashi Media Co., Ltd., an independent non-executive director of China Isotope & Radiation Corporation, an independent non-executive director of Sinotrans Limited and an independent non-executive director of China Longyuan Power Group Corporation Limited.

Mr. Yeung Kwok Keung, aged 72, 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 General Manager for the Group's manufacturing operations. He is responsible for the manufacturing operations 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 human resources, legal affairs, after-sales services, business services, document control centre, information system department 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.

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 2019, 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 of the Company. 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 21 May 2019.

At the annual general meeting of the Company held on 21 May 2019, Mr. Au Kwok Lun, an executive Director, acted as the Chairman of the meeting. In addition, independent non-executive Directors were also present at the meeting 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 contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2019 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2019.

Board of Directors

As at 31 December 2019, the Board comprises three Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang and three Independent Non-Executive Directors, being Ms. Kan Lai Kuen, Alice (appointed on 21 May 2019), Mr. Meng Yan 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 24 to 25 of this annual report.

During the year ended 31 December 2019, 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	4/5
Mr. Au Kwok Lun	1/1	4/5
Mr. Ou Guo Liang	0/1	4/5
Independent Non-Executive Director		
Ms. Kan Lai Kuen, Alice *(appointed on 21 May 2019)*	0/1	4/4
Mr. Lai Ming, Joseph *(retired on 21 May 2019)*	1/1	1/1
Mr. Meng Yan	0/1	5/5
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 and Mr. Men Yan have been re-appointed for another three-year terms on 1 August 2017 and 13 June 2017 respectively. Ms. Kan Lai Kuen, Alice has been appointed for three-year term on 21 May 2019.

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 2019.

Remuneration Committee

The Board has established a Remuneration Committee ("RC"). The RC comprises Mr. Yeung Kwok Keung (Chairman), Mr. Meng Yan, Ms. Kan Lai Kuen, Alice (appointed on 21 May 2019) and Mr. Lai Ming, Joseph (retired on 21 May 2019), who are all Independent Non-Executive Directors and Mr. Au Kwok Lun who is an Executive Director. During the year ended 31 December 2019, the RC had reviewed the remuneration packages of the Directors and senior management.

For the year ended 31 December 2019, 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
Ms. Kan Lai Kuen, Alice *(appointed on 21 May 2019)*	N/A
Mr. Au Kwok Lun	1/1
Mr. Lai Ming, Joseph *(retired on 21 May 2019)*	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 Ms. Kan Lai Kuen, Alice (Chairman) (appointed on 21 May 2019), Mr. Meng Yan, Mr. Lai Ming, Joseph (retired on 21 May 2019) and Mr. Yeung Kwok Keung, who are all Independent Non-Executive Directors. During the year ended 31 December 2019, 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 2019, the NC held one meeting. The attendance record of each member is as follows:

Name of Director	Attendance
Ms. Kan Lai Kuen, Alice *(Chairman of NC) (appointed on 21 May 2019)*	N/A
Mr. Meng Yan	1/1
Mr. Lai Ming, Joseph *(retired on 21 May 2019)*	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 2019, fee for audit services (including review on interim results) was RMB1,531,000 and fee for non-audit services was RMB20,000.

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 Ms. Kan Lai Kuen, Alice (appointed on 21 May 2019) who is a certified public accountant and the committee members are Mr. Meng Yan, Mr. Lai Ming, Joseph (retired on 21 May 2019) 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 2019. The attendance record of each member is as follows:

Name of Director	Attendance
Ms. Kan Lai Kuen, Alice *(Chairman of AC) (appointed on 21 May 2019)*	1/1
Mr. Meng Yan	2/2
Mr. Lai Ming, Joseph *(retired on 21 May 2019)*	1/1
Mr. Yeung Kwok Keung	2/2

During the year ended 31 December 2019, the AC discussed and reviewed the final results of 2018 and interim results of 2019 and other reports for the year. Also, the AC met with the external auditor to discuss auditing and internal control matters.

Board Nomination Policy

The Nomination Committee endeavours to ensure the Board of directors has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. In order to fulfill the requirements, formal and transparent procedures for the selection, appointment and re-appointment of Directors should be formulated.

The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and making recommendations to the Board and thereafter shareholders of the Company for election as Directors at general meetings or appoint Directors to fill casual vacancies.

Criteria for the nomination of a Director

Board appointments will be made on a merit basis and candidates will be considered against objective criteria. The selection criteria used in assessing the suitability of a proposed Director (the "Candidate") are listed below:

i. the Candidate's academic background and qualifications (including professional qualifications, skills and knowledge which are relevant to the Company's business and corporate strategy);

ii. the Candidate's relevant experience in the industry;

iii. the Candidate's character and integrity;

iv. the Candidate's willingness and capacity to devote adequate time commitment in discharge of a director's duties;

v. whether the Candidate can contribute to the Board a diversity of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

vi. (where the Candidate is proposed to be appointed as an independent non-executive Director) whether the Candidate is in compliance with the criteria of independence under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and

vii. any other factors as may be determined by the Board from time to time.

Board Diversity Policy

The Board adopted a board diversity policy pursuant to the CG Code. The Company recognises and embraces the benefits of diversity of Board members. The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company business. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Dividend Policy

The Company considers stable and sustainable returns to the shareholders of the Company to be the goal. The Dividend Policy, in the consideration of the dividends payment, is to allow the shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The declaration, payment, and amount of dividends will be subject to the Board's discretion. Dividends may be paid out of the distributable reserves of the Company as permitted under the relevant laws. There can be no assurance that the Company will be able to declare or distribute any dividend in the amount in any specific periods. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The payment and the amount of any dividends will depend on a number of factors, including but not limited to:

(i) the Group's actual and expected financial performance;

(ii) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(iv) the Group's liquidity position;

(v) the general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(vi) the applicable laws and regulations including the Companies Law of the Cayman Islands and the Company's Bye-laws; and

(vii) any other factors that the board of directors of the Company deems relevant.

The Dividend Policy will be reviewed from time to time by the Board.

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 training 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 periodic 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 07, 21/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.

Environmental, Social 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 2019.

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 2019.

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 is 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. The domestic waste water is discharged to the local municipal drainage system after undergoing septic tank treatment.

A small amount of waste gas is produced only 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, SO2 and other pollutants restricted by laws and regulations of the PRC, nor does it contain any greenhouse gas.

The Group periodically engages qualified cooperative factories to monitor waste gas from production each year. According to the 2019 Waste Gas Monitoring Results, the emission intensity of particles was <20 mg/m3, far lower than the emission standard of 120 mg/m3, and the emission rate of particles was <0.08 Kg/h, far lower than the emission standard of 3.3 Kg/h (2018: the emission intensity of particles was <20 mg/m3; the emission rate of particles was 0.13 Kg/h); while the emission intensity of non-methane hydrocarbon was 10.2 mg/m3, far lower than the emission standard of 120 mg/m3, and the emission rate of non-methane hydrocarbon was 4.46*10-2 Kg/h, far lower than the emission standard of 12 Kg/h (2018: the emission intensity of non-methane hydrocarbon was 7.65mg/m3; the emission rate was 5.12*10-2 Kg/h).

The Group has 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 Group also provides relevant training for employees to ensure that waste is properly classified and collected for the reuse and comprehensive treatment of recyclable substances. Suppliers who cooperate with us are directed and encouraged to recycle packaging waste with recovery value. The Group requests the suppliers who can use plastic baskets as packaging materials to try to use plastic baskets in order to reduce the production of packaging waste.

The Group produces only a small amount of hazardous waste in the production/office processes, mainly including scrap electric circuit board and waste printing ribbon. In 2019, 4.29 tonnes of hazardous waste (2018: 4.5 tonnes) were produced, representing a decrease of 0.21 tonnes as compared with last year, all of which were delivered to a qualified professional recycling agency for disposal and submitted to government authorities for approval as required.

Furthermore, the Group 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 2019, 147 tons of non-hazardous waste (2018: 150 tonnes) was produced, representing a decrease of approximately 3 tonnes as compared with last year. Non-hazardous waste mainly comprised packaging materials, cardboard boxes, foam sponges and small amount of domestic wastes, all of which with recovery value were delivered to a qualified waste recyclers for recycling.

In 2019, the Group did not discover any material breach of laws and regulations in relation to the environment.

Aspect A2: Use of Resources

The Group is committed to making good use of resources and reducing resource consumption during its operation. The Group 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 Group vigorously promotes and advocates the idea of energy conservation and consumption reduction among all employees and has implemented and reviewed the energy conservation and consumption reduction measures and assessed their effectiveness throughout the whole business process. The Group 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 Group also endeavors to achieve rational use of resources by reducing the use of raw materials for the repair of machines or enhancing maintenance capacities of parts and components and improving the recycling efficiency of materials through the ways of design enhancement and design optimization.

In 2019, the Group continued to strengthen the packaging by laminating the exterior packaging materials of all products, thereby reducing one layer of inner packaging box for each product. This helped us reduce approximately 180 tonnes of packaging box materials throughout the year.

In 2019, the Group consumed 953 mWh of electricity for production (2018: 1,004 mWh), decreasing by 51 mWh as compared with last year. Household and auxiliary electricity consumption was 352 mWh (2018: 410 mWh), decreasing by 58 mWh as compared with last year.

Although the Group did not use water for production and our domestic water consumption is mainly used for staff drinking, central air conditioning consumption, greening, fire pool evaporation, cleaning and toilet flushing which remained largely unchanged with insignificant fluctuation, the Group endeavored to improve by using water-saving faucets and preventing water dripping in order to achieve the effect of water-saving.

Due to the completion, cleaning and acceptance of an infrastructure project under construction and implementation of a cleaning work system in the first half of 2019, water consumption has increased. The water consumption of the renovation of the Group's office building throughout the year of 2019 and the implementation of the cleaning system of the storage area of temporary collection and delivery work zone, in which the ground is washed twice a week to achieve the dust removal effect, result in a larger increase in water consumption. The water consumption for 2019 was 46,998 tonnes (2018: 40,200 tonnes), increasing by 6,798 tonnes as compared with 2018.

Aspect A3: Environment and Natural Resources

The Group consciously takes the impact of its activities and decisions on the environment into overall consideration. The Group 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 and natural resources during its production and operation process.

The Group does not use coal or natural gas in our production. Only two industrial forklifts use diesel and 6 trolleys use gasoline. Mobile forklifts are only used for handling, loading and unloading goods in the factory. In 2019, the consumption of diesel was only 3,152 litres (2018: 4,580 litres). The use of official cars is accounted for business use of business trips of employees and reception of guests only, with strict control measures and approval procedures. In 2019, the consumption of gasoline was 40,850 litres (2018: 45,000 litres). The Group also reduced the use of electricity and paper, encouraged its employees/suppliers to recycle packaging materials, office supplies and other materials to reduce the consumption of natural resources indirectly, and optimized design to reduce consumption of raw materials. All of the Group's products obtained environmental label certification and energy saving certification and all printer products reached national level I energy efficient standard. The Group also increased the green area and expanded the coverage ratio of plants on its factory premises by the maintenance of vegetation such as turf, rectification and replantation of trees which were blown down by typhoons, and implementation of greening around the newly renovated office building. These measures helped minimize the adverse impact on the environment.

Society

Aspect B1: Employment

The Group strictly abides by the provisions of the PRC Labor Law, and has not violated the relevant rules and regulations. The Group 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 Group 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 Group 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 Group also arranges free regular medical check-ups for its employees annually to show its care for them and cultivate a sense of belonging.

Besides, the Group provides competitive remuneration packages to its employees. The Group 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. The Group 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 2019, a score of 92.3 points (2018: 93.1 points) was achieved for employee satisfaction, which is 0.9 points lower as compared with 2018. 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 Group has established the Safety Committee and is committed to improving health and safety performance on an ongoing basis. The Group has established a complete occupational health and safety management system according to the ISO45001 standards, and continuously and effectively promoted and implemented them to ensure a safe and healthy working environment for employees. Moreover, the Group has adopted a series of safety management and implemented safety measures to consolidate the achievements of the three-level safety production standardization. The Group also regularly reviews the implementation and effectiveness of related measures and monitors the environmental data of the workplace. The Group 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 regular 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 2019, the Group carried out 65 pre-job, on-the-job and post-job occupational disease inspection for employees in specific positions, achieving a full coverage (2018: 73 times).

The Safety Committee performs major safety inspection on a quarterly basis and takes correction measures to eliminate identified safety and health hazards timely. 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 Group 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 2019, the Group did not discover any material breach of laws and regulations in relation to occupational health and safety.

Aspect B3: Development and Training

The Group 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 Group 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 Group works out detailed training programs according to the needs of employees, requirements of positions and skills required by various departments within the company 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 Group conducts training courses according to schedule and emphasizes the effectiveness of such courses, while the human resources department of the Group conducts regular follow-ups on the implementation of various trainings.

The Group arranges corresponding staff to participate in related trainings organized by various relevant government departments actively. Employees are also organized to engage other professional training agencies to conduct occupational skills trainings for staff to acquire more knowledge and skills every year. In 2019, the Group completed 976 training programs in total, involving 6,917 participants and a total of 51,842 hours (2018: 734 training programs completed in total, involving 6,798 participants and a total of 37,113 hours).

Aspect B4: Labor Standards

The Group prohibits the employment of child and forced or compulsory labor in any of its operations. The HR department of the Group verifies the age of employees during the recruitment process and employs only those aged 18 and above. Employees of the Group 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 Group 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 employees have the rights to terminate employment with the Group freely by giving a reasonable notice. In 2019, the Group did not detect any employment of child labor or forced or compulsory labor. The Group 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 Group, the HR department thoroughly reviews their employment information (including but not limited to ID card, academic certificate, qualification proof and employment certificate from previous employers). Should any employee be found to mis-represent or conceal information, the Group 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 such employee works shall be held accountable and be penalized as per the Group’s relevant regulations.

In 2019, the Group 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 Group actively promotes sustainable development of the supply chain, and encourages its partners to fulfill social responsibilities in joint efforts. The Group has established long-term cooperative relationships with many suppliers, and strived to ensure their compliance with the Group's commitments to quality, environmental protection, low carbon operation, safety and ethical conducts. The Group 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 Group will establish an assessment team to perform on-site assessment on them and verify their samples before including them in the Group's list of qualified suppliers. The Group 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 Group's anti-corruption policy. The Group 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 suppliers to ensure effective influence and control on the supply chain.

Aspect B6: Product Responsibilities

The Group believes that products are at the core of corporate competitiveness. To effectively improve the product quality and protect customer rights and interests, the Group keeps strict control over the product quality starting from the stage of research and development. The Group carries out stringent quality control in each process, including dedicated design, comprehensive engineering measurement, procurement on demand, production which strictly follows the work guidelines, all-inclusive inspection, and delighted 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.

Due to the stability and reliability of the quality, the Group's products passed every sample-based quality supervision and inspection conducted by government authorities. The Group adopted a set of internal product standards which is more stringent than the national standards to control the product quality and ensure the superior product quality. A number of the Group's products have received the Scientific and Technological Progress Awards granted by provincial and municipal 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 2019, none of the Group's products was subject to product recall for quality, safety or health reasons. The after-sale department collaborated with the quality control department to respond to and handle customers' complaints. The Group sets up two 400 telephone lines and created a private website to answer customers' inquiries and requests for services timely. The Group also paid much attention to online feedback on issues. It regularly collected customers' opinions and assembled relevant departments to discuss solutions for these issues. For complaints about quality issues, the Group 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 Group also attaches great importance to the after-sale service quality, and has constructed a complete sales and aftersales 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 Group strictly abides by the "7 days return and exchange with no questions asked" policy. For products within warranty period, the Group's policy is for contracted dealers to provide on-site repair. For damaged key components and parts of customers, the Group will recover, verify, and analyze them. Some of the analysis information can be used to improve product quality.

Although the Group seldom has access to information of end customers as the Group's products are mostly sold through dealers, the Group attaches great importance to the protection of customers' information and privacy. The Group 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 nor disclosed. The Group also requires that the Group's dealers shall not disclose the information and privacy of customers to any irrelevant cooperative factories, nor shall they use the information for any form of commercial purposes to obtain benefits.

Aspect B7: Anti-corruption

The Group allows zero tolerance for corruption and bribery throughout its operations. The Group has an internal audit department to conduct regular business audit in the procurement department and other relevant departments. All business contracts with cooperative factories are subject to professional reviews by the legal department, and a series of internal financial management systems were formulated for standard management purpose to ensure corruption and bribery are prevented at the origin. In 2019, the Group has verified an incident in which an employee used his own position to defraud the group's funds. At present, the case has been put on file by the local public security organ for investigation. The employee has been arrested with the approval of the local people's procuratorate.

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

Aspect B8: Community Investment

The Group has been focusing on the promotion of community and education projects which are of much concern. The Group 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 Group is enthusiastic about the development of educational undertakings. The Group 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 Group 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 Group 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 110, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill Refer to note 4(d) and note 8 to the consolidated financial statements The goodwill of RMB5,742,000 arose on the acquisition of Shenzhen Coolwi Technology Company Limited in 2014, which is subject to an annual impairment assessment according to HKAS 36. Management identified the goodwill related cash generating unit as "Yingmei.me O2O cloud printing" and adopted the discounted cash flow 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.	Our major audit procedures in relation to the assessment of impairment of goodwill included the following: (a) We involved our internal valuation experts in assessing the appropriateness of the methodology used by management. (b) We assessed the reasonableness of the estimations by performing the following procedures: – compared the operating results with forecasted revenue and expenses for the year ended 31 December 2019 prepared by management, discussed with management about the significant variances and assessed the reasonableness of the updated future profit and cash flow forecasts for the years after 2019; – compared the growth rate of revenue, approved budgets and business plans to historical results of the cash generated unit 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 the cash generated unit and comparable entities; – benchmarked the inflation rate against available government data. (c) We performed sensitivity analysis over growth rate of revenue to assess the potential impact of possible outcome. Based on our audit procedures, we found that the judgements and estimates made by management in relation to the assessment of impairment of goodwill were supported by available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
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 their carrying amounts. As at 31 December 2019, the Group found that the carrying amount of the investment in Wuhan Shuyuan Digital Network Technology Limited Company ("Shuyuan") amounting to RMB8,672,000 exceeded its recoverable amount, an impairment loss of RMB1,388,000 has been made in the year ended 31 December 2019. Recoverable amount of the interest in Shuyuan is determined by its value-in-use calculations which required the critical judgements and estimates of revenue growth rates and discount rate. We focused on this area due to significant judgements were required to be exercised by management to determine the key assumptions adopted in the value-in-use calculations.	We assessed the reasonableness of the assumptions by performing the following procedures: – compared the actual operating result with cash flow forecasts compiled by management for the year ended 31 December 2019 and assessed the reasonableness of the updated future profit and cash flow forecasts for the years after 2019; – tested mathematical accuracy and checked to the financial data of the investee; – 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 the investee; – 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 found that the judgements and estimates made by management in relation to impairment of interest in Shuyuan were supported by available evidences.

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.

- 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 Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2020

Consolidated Balance Sheet

As at 31 December 2019

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	105,823	103,640
Right-of-use assets	7	10,681	–
Land use rights	7	–	8,010
Intangible assets	8	13,216	11,726
Investments accounted for using the equity method	10	7,821	9,132
Financial assets at fair value through profit or loss	15	463	463
Financial assets at fair value through other comprehensive income	11	5,956	6,214
Deferred income tax assets	21	8,192	4,349
Restricted cash	17	–	7,000
Other receivables	14	500	3,158
Other assets		3,124	3,038
		155,776	156,730
Current assets			
Inventories	13	86,320	91,876
Trade and other receivables	14	34,848	27,390
Time deposits		–	57,960
Restricted cash	17	7,153	254
Cash and cash equivalents	16	122,474	95,388
		250,795	272,868
Total assets		406,571	429,598
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	18	9,155	12,814
Other reserves	19	257,058	256,185
(Accumulated losses)/retained earnings		(24,246)	8,799
		241,967	277,798
Non-controlling interests		(564)	(119)
Total equity		241,403	277,679

Consolidated Balance Sheet (continued)

As at 31 December 2019
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2019	2018
LIABILITIES			
Non-current liabilities			
Borrowings	20	–	31,543
Lease liabilities	7	1,363	–
Deferred income tax liabilities	21	363	475
		1,726	32,018
Current liabilities			
Trade and other payables	22	68,053	62,076
Contract liabilities	23	1,497	4,010
Lease liabilities	7	1,645	–
Current income tax liabilities		–	3,815
Borrowings	20	92,247	50,000
		163,442	119,901
Total liabilities		165,168	151,919
Total equity and liabilities		406,571	429,598

The notes on pages 53 to 110 are an integral part of these consolidated financial statements.

The financial statements on pages 47 to 110 were approved by the Board of Directors on 23 March 2020 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 2019
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2019	2018
Revenue	24	297,064	329,621
Cost of goods sold	26	(212,208)	(224,595)
Gross profit		84,856	105,026
Other income	25	6,793	5,765
Selling and marketing expenses	26	(40,240)	(40,130)
Administrative expenses	26	(39,646)	(40,375)
Research and development expenses	26	(44,441)	(44,523)
Other (losses)/gains – net	28	(765)	440
Operating loss		(33,443)	(13,797)
Finance expenses – net	29	(6,356)	(10,138)
Share of gains/(losses) of investments accounted for using the equity method	10	77	(1,081)
Impairment of investment in associates	10	(1,388)	(3,586)
Loss before income tax		(41,110)	(28,602)
Income tax credit/(expense)	30	4,666	(439)
Loss for the year		(36,444)	(29,041)
Loss attributable to:			
– Shareholders of the Company		(36,057)	(28,274)
– Non-controlling interests		(387)	(767)
		(36,444)	(29,041)
Loss per share for loss attributable to the shareholders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	31	(0.059)	(0.045)

The notes on pages 53 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	2019	2018
Loss for the year	**(36,444)**	(29,041)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**(258)**	1,130
Income tax relating to these items	**6**	(311)
Other comprehensive income for the year, net of tax	**(252)**	819
Total comprehensive income for the year	**(36,696)**	(28,222)
Total comprehensive income for the year attributable to:		
– Shareholders of the Company	**(36,320)**	(27,508)
– Non-controlling interests	**(376)**	(714)
	(36,696)	(28,222)

The notes on pages 53 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium (note 18)	Other reserves (note 19)	Retained earnings/ (accumulated loss)	Non-controlling interests	Total equity
Balance at 1 January 2019	12,814	256,185	8,799	(119)	277,679
Comprehensive income					
Loss for the year	–	–	(36,057)	(387)	(36,444)
Other comprehensive income	–	(263)	–	11	(252)
Total comprehensive income for the year	–	(263)	(36,057)	(376)	(36,696)
Contributions by and distributions to the shareholders of the Company recognised directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	–	280	(280)	–	–
Share options granted to employees	–	489	–	–	489
Cancellation of shares of the Company (note 18)	(3,659)	367	3,292	–	–
Dividends paid to non-controlling shareholders	–	–	–	(69)	(69)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	(3,659)	1,136	3,012	(69)	420
Balance at 31 December 2019	9,155	257,058	(24,246)	(564)	241,403
Balance at 1 January 2018	**51,297**	**252,643**	**40,365**	**(455)**	**343,850**
Comprehensive income					
Loss for the year	**–**	**–**	**(28,274)**	**(767)**	**(29,041)**
Other comprehensive income	**–**	**766**	**–**	**53**	**819**
Total comprehensive income for the year	**–**	**766**	**(28,274)**	**(714)**	**(28,222)**
Contributions by and distributions to the shareholders of the Company recognised directly in equity					
Non-controlling interests on newly set-up subsidiary	**–**	**–**	**–**	**1,050**	**1,050**
Share options granted to employees	**–**	**2,821**	**–**	**–**	**2,821**
Share options forfeited during the year	**–**	**(45)**	**–**	**–**	**(45)**
Repurchase of shares of the Company (note 18)	**–**	**–**	**(29,275)**	**–**	**(29,275)**
Cancellation of shares of the Company (note 18)	**(25,983)**	**–**	**25,983**	**–**	**–**
Dividends (note 32)	**(12,500)**	**–**	**–**	**–**	**(12,500)**
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	**(38,483)**	**2,776**	**(3,292)**	**1,050**	**(37,949)**
Balance at 31 December 2018	**12,814**	**256,185**	**8,799**	**(119)**	**277,679**

The notes on pages 53 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2019	2018
Cash flows from operating activities			
Cash used in operations	34	(27,365)	(16,825)
Income tax paid		(1,148)	(3,784)
Interest paid		(5,707)	(5,062)
Net cash used in operating activities		(34,220)	(25,671)
Cash flows from investing activities			
Purchase of property, plant and equipment		(12,730)	(18,258)
Purchase of intangible assets		(421)	–
Purchase of other assets		(505)	(2,021)
Disposals of property, plant and equipment		19	278
Acquisition of financial assets at fair value through other comprehensive income		–	(2,528)
Acquisition of a business, net cash paid (note 33)		(1,848)	(1,433)
Acquisition of investments accounted for using the equity method		–	(537)
Proceeds from sale of financial assets at fair value through profit or loss		–	19,537
Deposits in a financial institution		–	(57,960)
Withdraw of time deposits		57,960	–
Proceeds from sale of an associate		–	600
Dividend received from an investee		1,267	910
Interests received		8,366	4,343
Net cash generated from/(used in) investing activities		52,108	(57,069)
Cash flows from financing activities			
Bank deposits released from borrowings		–	57,960
Bank deposits secured for borrowings		–	(7,000)
Proceeds from borrowings		59,998	79,080
Repayments of borrowings		(50,000)	(82,575)
Dividends paid to non-controlling shareholders		(69)	–
Dividends paid to shareholders of the Company		–	(12,500)
Principal elements of lease payments		(1,682)	–
Repurchase of shares of the Company		–	(29,275)
Capital contribution from a non-controlling interest		–	1,050
Net cash generated from financing activities		8,247	6,740
Net increase/(decrease) in cash and cash equivalents		26,135	(76,000)
Cash and cash equivalents at beginning of the year		95,388	171,056
Exchange gains on cash and cash equivalents		951	332
Cash and cash equivalents at end of the year	16	122,474	95,388

The notes on pages 53 to 110 are an integral part of these consolidated financial statements.

1. General Information

(a) Jolimark Holdings Limited (the "Company") was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Law (2003 Revision) of the Cayman Islands. The address of its registered offices is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, 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 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 23 March 2020.

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 financial assets at fair value through other comprehensive income.

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 Yuan thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019.

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS
HK (IFRIC) 23	Uncertainty over Income Tax Treatments

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this financial year. Except for the impact of adoption of HKFRS 16 set out in note 2.2, the adoption of other standards, amendments and interpretations did not have any impact on the Group's accounting policies and did not require retrospective amendments and interpretation adjustments.

(b) New and amended standards and interpretations issued but are not effective for financial year ended 31 December 2019 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2. Summary of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group applied the simplified approach to adopt HKFRS 16 without restating comparative information, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.26.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.40%.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) Measurement of lease liabilities

Operating lease commitments disclosed as at 31 December 2018	1,832
Discounted using the lessee's incremental borrowing rate of the date of initial application	1,752
Add: adjustments as a result of a different treatment of extension and termination options	1,824
Less: short-term leases recognised on a straight-line basis as expense	(90)
Less: low-value leases recognised on a straight-line basis as expense	(2,330)
Lease liability recognised as at 1 January 2019	1,156
Of which are:	
Current lease liabilities	1,053
Non-current lease liabilities	103
	1,156

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- land use rights – decreased by RMB8,010,000
- lease liabilities – increased by RMB1,156,000
- right-of-use assets (including land and buildings) – increased by RMB9,166,000

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2. Summary of Significant Accounting Policies (Continued)

2.3 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 2019.

(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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

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.

2. Summary of Significant Accounting Policies (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(c) Equity method

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.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2. Summary of Significant Accounting Policies (Continued)

2.4 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

2.5 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.

2.6 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. Summary of Significant Accounting Policies (Continued)

2.7 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 (losses)/gains – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

2.8 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replace part is derecognised. 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 2.10).

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

2. Summary of Significant Accounting Policies (Continued)

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.4. 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 and software

Proprietary technology and software are recognised at historical cost. Proprietary technology and software have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of proprietary technology and software over their estimated useful life (3 to 10 years).

2.10 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)

2.11 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(b) 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.

(c) 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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. Summary of Significant Accounting Policies (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other (losses)/gains – net in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 14 for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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. Summary of Significant Accounting Policies (Continued)

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 180 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 14 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.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

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 60 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.

2.17 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. Summary of Significant Accounting Policies (Continued)

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 or credit 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.

(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. Summary of Significant Accounting Policies (Continued)

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 recognised until the time of leave.

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

(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 recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2. Summary of Significant Accounting Policies (Continued)

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

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 recognised 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

(a) Sales of goods

The principal activities of the Group are manufacture and sale of printers and other electronic products. The Group sells the products to end users through third party distributors or corporate customers ("customers") mainly. Sales are recognised when control of the products has transferred, being when the products are delivered to the specific locations designated by the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The printers are often sold with retrospective volume discounts based on aggregate sales over a certain period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the most likely amount, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30-180 days, which is consistent with market practice. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Provision of services

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

2.24 Interest income

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

2.25 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2. Summary of Significant Accounting Policies (Continued)

2.26 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 35). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. Summary of Significant Accounting Policies (Continued)

2.26 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise dormitories rented for employees.

2.27 Dividends distribution

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

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.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Financial Risk Management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US$") and Hong Kong dollars ("HK$"). 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$ or HK$.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
	2019	2018
Financial assets		
– HK$	**32,894**	3,889
– US$	**6,200**	8,818
	39,094	12,707
Financial liabilities		
– HK$	**(34,668)**	(33,985)
– US$	**(3,117)**	(3,150)
	(37,785)	(37,135)

As at 31 December 2019, the Group had more financial assets than financial liabilities 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 2019, if RMB had strengthened/weakened by 5% against the US$ and HK$ with all other variables held constant, post-tax loss for the year would be higher/lower by RMB55,000 (2018: if RMB had strengthened/weakened by 4.9% against the US$ and HK$, post-tax loss would be lower/higher by RMB1,000,000), which is mainly attributable to net result of exchange differences on translation of US$ 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. Borrowings obtained at fixed rates expose the Group to fair value interest risk. As at 31 December 2019, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss would have been RMB390,000 higher/lower (2018: post-tax loss would be RMB344,000 higher/lower), 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 financial assets at fair value through other comprehensive income (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 financial assets at fair value through other comprehensive income and fair value gains on financial assets at fair value through profit or loss represent the Group's maximum exposure to price risk.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amount of cash and cash equivalents, 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 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.

For sales of goods to customers, the Group has policies in place to ensure credit terms are only granted to customers with good credit histories and credit evaluations were conducted on them periodically, taking into account their financial position, past experience and other factors. For other customers without credit terms granted, advances are received in most cases before delivery is made. As at 31 December 2019, 69% of trade receivables are due from three major customers of the Group (2018: 55%). Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

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.

Other receivables mainly include a loan to a related party, tender securities and interest receivable for time deposits. Management does not expect any loss arising from non-performance by these counterparties.

(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
At 31 December 2019		
Borrowings	**92,926**	–
Trade and other payables	**55,365**	–
At 31 December 2018		
Borrowings	52,194	32,563
Trade and other payables	50,867	–

3. Financial Risk Management (Continued)

3.2 Capital risk factors

The Group's objectives of 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 2019, the total borrowing for the Group was RMB92,247,000 (2018: RMB81,543,000) and the gearing ratio was 22.59% (2018: 18.98%).

3.3 Fair value estimation

(a) Financial assets and liabilities

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.

Financial assets at FVOCI are equity investment in private companies and financial assets at FVPL represent a put option as at 31 December 2019, both of them are measured at fair value in level 3.

The carrying amounts less impairment provision of trade and other receivables 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 2019, 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 realisable value of inventories

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

(b) Provision for impairment of trade and other receivables

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

(c) Income tax and deferred tax

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

(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 annually 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.

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 others. Since more than 90% of the Group's revenue and operating results are derived from product line of printers, no segment information has been prepared.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. Property, plant and Equipment

	Buildings	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
At 1 January 2018						
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
Year ended 31 December 2018						
Opening net book amount	44,806	43,636	2,594	907	2,459	94,402
Acquisition of businesses (note 33)	–	–	1,011	–	–	1,011
Additions	6,194	11,489	946	99	–	18,728
Disposals	–	(290)	–	–	(50)	(340)
Depreciation	(1,467)	(7,373)	(808)	(167)	(346)	(10,161)
Closing net book amount	49,533	47,462	3,743	839	2,063	103,640
At 31 December 2018						
Cost	69,061	176,898	18,826	3,327	12,162	280,274
Accumulated depreciation	(19,528)	(129,436)	(15,083)	(2,488)	(10,099)	(176,634)
Net book amount	49,533	47,462	3,743	839	2,063	103,640
Year ended 31 December 2019						
Opening net book amount	**49,533**	**47,462**	**3,743**	**839**	**2,063**	**103,640**
Acquisition of businesses (note 33)	**–**	**–**	**6**	**–**	**–**	**6**
Additions	**4,369**	**6,297**	**1,974**	**90**	**–**	**12,730**
Disposals	**–**	**(2)**	**(1)**	**(14)**	**(14)**	**(31)**
Depreciation	**(1,892)**	**(7,011)**	**(1,110)**	**(179)**	**(330)**	**(10,522)**
Closing net book amount	**52,010**	**46,746**	**4,612**	**736**	**1,719**	**105,823**
At 31 December 2019						
Cost	**73,430**	**183,172**	**20,791**	**3,275**	**12,030**	**292,698**
Accumulated depreciation	**(21,420)**	**(136,426)**	**(16,179)**	**(2,539)**	**(10,311)**	**(186,875)**
Net book amount	**52,010**	**46,746**	**4,612**	**736**	**1,719**	**105,823**

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

	2019	2018
Cost of goods sold	**7,065**	7,610
Administrative expenses	**3,282**	2,376
Selling and marketing expenses	**175**	175
	10,522	10,161

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Year ended 31 December 2019
Right-of-use assets	
Land-use rights	7,721
Buildings	2,960
	10,681
Lease liabilities	
Current	1,645
Non-current	363
	3,008

Movement of right-of-use assets is shown as below:

	Right-of-use assets	Land-use rights	Total
At 1 January 2018	–	8,299	8,299
Depreciation	–	(289)	(289)
At 31 December 2018	–	8,010	8,010
Opening net book amount at 1 January 2019, as originally presented	–	8,010	8,010
Changes in accounting policy	9,166	(8,010)	1,156
Opening net book amount as at 1 January 2019, as restated	9,166	–	9,166
Additions	3,677	–	3,677
Depreciation	(2,162)	–	(2,162)
At 31 December 2019	10,681	–	10,681

The income statement shows the following amounts relating to leases:

	Year ended 31 December 2019
Depreciation charge of right-of-use assets	
Land-use rights	289
Buildings	1,873
	2,162
Interest expense (included in finance cost)	143
Expense relating to short-term lease	92
Expense relating to leases of low-value assets that are not shown above as short-term leases	1,421

The total cash outflow for leases in 2019 was RMB3,383,000.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. Intangible Assets

	Goodwill (Note (a))	Proprietary technology	Software	Total
At 1 January 2018				
Cost	5,790	9,007	–	14,797
Accumulated amortisation	–	(2,886)	–	(2,886)
Net book amount	5,790	6,121	–	11,911
Year ended 31 December 2018				
Opening net book amount	5,790	6,121	–	11,911
Acquisition of businesses (note 33)	586	–	–	586
Amortisation	–	(771)	–	(771)
Closing net book amount	6,376	5,350	–	11,726
At 31 December 2018				
Cost	6,376	8,871	–	15,247
Accumulated amortisation	–	(3,521)	–	(3,521)
Net book amount	6,376	5,350	–	11,726
Year ended 31 December 2019				
Opening net book amount	**6,376**	**5,350**	**–**	**11,726**
Acquisition of businesses (note 33)	**737**	**–**	**1,897**	**2,634**
Addition	**–**	**421**	**–**	**421**
Amortisation	**–**	**(663)**	**(316)**	**(979)**
Impairment	**(586)**	**–**	**–**	**(586)**
Closing net book amount	**6,527**	**5,108**	**1,581**	**13,216**
At 31 December 2019				
Cost	**7,113**	**9,292**	**1,897**	**18,302**
Accumulated amortisation	**–**	**(4,184)**	**(316)**	**(4,500)**
Impairment	**(586)**	**–**	**–**	**(586)**
Net book amount	**6,527**	**5,108**	**1,581**	**13,216**

Amortisation of RMB36,000 and RMB943,000 (2018: RMB38,000 and RMB733,000) are included in the cost of goods sold and administrative expenses in the income statement.

8. Intangible Assets (Continued)

(a) Impairment tests for goodwill

Goodwill is monitored by management at the level of three cash generating units ("CGUs"). The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 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 2019 are as follows:

	Yingmei.me O2O cloud printing	Catering business and e-commerce	Interactive Video Platform
Goodwill allocated (RMB'000)	5,742	586	737
Average annual growth rate of revenue (within the first five years)	250%	10%	16%
Long term growth rate of revenue (after the first five years)	2.13%	2.13%	2.13%
Pre-tax discount rate	19.27%	25.60%	23.38%

Average annual growth rate is based on management's expectations of market development. The long term growth rate used is based on the average growth rate of the consumer price index for the past ten years. The discount rate used is pre-tax and reflect specific risks relating to the relevant CGUs.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. Investments in Subsidiaries

The following is a list of all the subsidiaries at 31 December 2019:

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	Taiwan	Research and development of the inkjet print heads	TWD3,700,000	100%
Shenzhen Coolwi Technology Company Limited	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	Hong Kong	Research and development of the internet technology and electronic products	HK$20,002	65%
Shenzhen Yingxing Information Technology Limited	PRC	Import and export service for electronic business	RMB3,000,000	65%
Gaosheng Hongying Technology (Shenzhen) Limited	PRC	Research and development of the internet technology and electronic products	HK$600,000	65%
Jolimark Inkjet Technology Limited	Hong Kong	Research and development of the inkjet printers	HK$1,000,000	100%

All the subsidiaries are limited liability companies.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. Investments accounted for using the equity method

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

	2019	2018
Balance at 1 January	**9,132**	14,870
Addition	–	537
Disposal of an associate	–	(698)
Dividend received from an associate	–	(910)
Share of profit/(losses) – net	**77**	(1,081)
Impairment charge (note (a))	**(1,388)**	(3,586)
Balance at 31 December	**7,821**	9,132

(a) Set out below are the associates of the Group as at 31 December 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Region of business	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2019	2018			2019	2018
Wuhan Hong Rui Da Information Technology Limited Company ("Hong Rui Da")	China	**49.2%**	49.2%	Associate	Equity method	–	–
Wuhan Shuyuan Digital Network Technology Limited Company ("Shuyuan")	China	**19.6%**	19.6%	Associate	Equity method	**7,284**	8,595
Xinyu Kaiyi Education Investment Limited Partnership ("Kaiyi")	China	**19.96%**	19.96%	Associate	Equity method	**537**	537

(b) During the year, the Group performed an impairment assessment of its investment in Shuyuan since it has not met its operation target for the year and has made an impairment provision of RMB1,388,000.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. Financial assets at fair value through other comprehensive income

	As at 31 December	
	2019	2018
Balance at 1 January	**6,214**	–
Reclassified for changes in accounting policy	**–**	2,556
Additions	**–**	2,528
Fair value (losses)/gains recognised	**(258)**	1,130
Balance at 31 December	**5,956**	6,214

(a) As at 31 December 2019 and 2018, the Group held certain equity investments for medium to long term.

(b) The fair values are based on net assets of investees which are within level 3 of fair value hierarchy.

12. Financial Instruments by Categories

	As at 31 December	
	2019	2018
Financial assets		
Financial assets at amortised cost		
Trade and other receivables, excluding prepayments (note 14)	**33,840**	28,475
Restricted cash (note 17)	**7,153**	7,254
Cash and cash equivalents (note 16)	**122,474**	95,388
Financial assets at FVOCI (note 11)	**5,956**	6,214
Financial assets at FVPL (note 15)	**463**	463
	169,886	137,794
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	**56,009**	50,867
Lease liabilities	**3,008**	–
Borrowings (note 20)	**92,247**	81,543
	151,264	132,410

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. Inventories

	As at 31 December	
	2019	2018
Raw materials	**56,024**	57,849
Work in progress	**4,581**	2,421
Finished goods	**25,715**	31,606
	86,320	91,876

The cost of inventories recognised in the income statement amounted to RMB213,504,000 (2018: RMB228,275,000).

During the year, the write-down of inventories amounted to RMB1,108,000 (2018: RMB4,384,000) and has been recognised as cost of goods sold in the income statement.

14. Trade and Other Receivables

	As at 31 December	
	2019	2018
Non-current		
Other receivables		
– Third parties	**500**	500
– Related parties (note 36)	**–**	2,658
	500	3,158
Current		
Trade receivables		
– Third parties (note (a))	**22,145**	8,150
Less: provision for impairment of trade receivables	**–**	–
Trade receivables – net	**22,145**	8,150
Bills receivable (note (b))	**1,649**	6,494
Prepayments		
– Third parties	**1,508**	1,281
– Related parties (note 36)	**–**	792
Other receivables		
– Third parties	**8,204**	11,314
– Related parties (note 36)	**2,062**	1,672
Less: provision for impairment of other receivables		
– Third parties	**(720)**	(720)
– Related parties (note 36)	**–**	(1,593)
	34,848	27,390
	35,348	30,548

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. Trade and Other Receivables (Continued)

(a) The Group's sales to customers are generally granted with credit terms within 90 days or extended as considered appropriate by the directors of the Company. As at 31 December 2019, the ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2019	2018
Less than 30 days	**19,715**	5,249
31–90 days	**2,032**	1,424
91–180 days	**174**	325
181–365 days	**17**	52
Over 365 days	**207**	1,100
	22,145	8,150

The credit quality of trade receivables within credit limit are assessed by reference to historical information about counterparty default rates. As at 31 December 2019, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2019, trade receivables of RMB224,000 were past due but not impaired (31 December 2018: RMB1,152,000). The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2019	2018
Past due but not impaired:		
181–365 days	**17**	52
Over 365 days	**207**	1,100
	224	1,152

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

(b) As at 31 December 2019 and 2018, bills receivable represent bank acceptance bills.

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

	As at 31 December	
	2019	2018
RMB	**33,309**	27,448
US$	**256**	620
HK$	**165**	181
Other currencies	**110**	226
	33,840	28,475

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. Financial Assets at Fair Value Through Profit or Loss

	As at 31 December	
	2019	2018
A put option (note (a))	**463**	463

(a) Amount represents a put option embedded in the Group's investment in Kaiyi, a limited partnership set up for investing in an education consulting company, pursuant to which the Group has a right to put the Group's equity interest in Kaiyi to the controlling shareholder of the education consulting company at a price of the Group's original capital contribution plus a return of 10% per annum on and after the third anniversary of the investment.

The option is stated at fair value which is within level 3 of fair value hierarchy.

16. Cash and Cash Equivalents

	As at 31 December	
	2019	2018
Cash at bank and in hand	**122,474**	95,388

	As at 31 December	
	2019	2018
Denominated in:		
RMB	**83,050**	83,238
US$	**5,944**	8,198
HK$	**32,729**	3,708
TWD	**663**	157
Other currencies	**88**	87
	122,474	95,388

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	
	2019	2018
Non-current		
Guarantee deposits for loans	–	7,000
Current		
Guarantee deposits for loans (note (a))	**7,000**	–
Other guarantee deposit (note (b))	**153**	254
	7,153	7,254

(a) The amount of RMB7,000,000 represents cash deposited in a PRC bank as security for the Group's bank borrowings of HK$36,000,000 (equivalent to RMB32,249,000) (note 20).

(b) The amount of RMB153,000 represents the tender guarantees for biddings.

18. Share Capital and Premium

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares RMB'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid					
Balance at 1 January 2018	657,063,500	6,571	6,769	44,528	51,297
Cancellation of shares (note (a))	(35,850,000)	(359)	(294)	(25,689)	(25,983)
Dividends (note 32)	–	–	–	(12,500)	(12,500)
Balance at 31 December 2018	621,213,500	6,212	6,475	6,339	12,814
Balance at 1 January 2019	**621,213,500**	**6,212**	**6,475**	**6,339**	**12,814**
Cancellation of shares (note (a))	**(8,332,000)**	**(83)**	**(73)**	**(3,219)**	**(3,292)**
Capital redemption reserve	**–**	**–**	**–**	**(367)**	**(367)**
Balance at 31 December 2019	**612,881,500**	**6,129**	**6,402**	**2,753**	**9,155**

(a) During the year, the Company cancelled 8,332,000 of its own shares that it repurchased in 2018.

(All amounts in Renminbi Yuan 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))	Financial assets at FVOCI	Others	Total
Balance at 1 January 2018	136,904	102,153	14,106	–	(520)	252,643
Share options granted to employees	–	–	2,821	–	–	2,821
Share options forfeited during the year	–	–	(45)	–	–	(45)
Revaluation – gross	–	–	–	1,130	–	1,130
Deferred tax for revaluation	–	–	–	(311)	–	(311)
NCI share in revaluation – gross	–	–	–	(53)	–	(53)
Balance at 31 December 2018	136,904	102,153	16,882	766	(520)	256,185
Balance at 1 January 2019	**136,904**	**102,153**	**16,882**	**766**	**(520)**	**256,185**
Share options granted to employees	**–**	**–**	**489**	**–**	**–**	**489**
Transfer from retained earnings	**–**	**280**	**–**	**–**	**–**	**280**
Revaluation – gross	**–**	**–**	**–**	**(258)**	**–**	**(258)**
Deferred tax for revaluation	**–**	**–**	**–**	**6**	**–**	**6**
NCI share in revaluation – gross	**–**	**–**	**–**	**(11)**	**–**	**(11)**
Capital redemption reserve	**–**	**–**	**–**	**–**	**367**	**367**
Balance at 31 December 2019	**136,904**	**102,433**	**17,371**	**503**	**(153)**	**257,058**

(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) In accordance with relevant rules and regulations applicable to foreign investment company in the PRC, the Group's certain subsidiaries are 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.

(All amounts in Renminbi Yuan 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 2019:

Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Number of share options: Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Forfeited during the year (note (b))	Outstanding at 31 December 2019
10 December 2013 (note (a))	1.18	10 December 2013 to 10 December 2017	10 December 2014 to 10 December 2019	2,123,500	–	–	(2,123,500)	–
17 December 2014 (note (a))	1.70	17 December 2014 to 17 December 2018	17 December 2015 to 17 December 2020	15,330,000	–	–	(800,000)	14,530,000
15 May 2015 (note (a))	2.17	15 May 2015 to 15 May 2019	15 May 2016 to 15 May 2021	12,520,000	–	–	(630,000)	11,890,000
				29,973,500	–	–	(3,553,500)	26,420,000
		Exercisable at the end of the year		26,843,500	–	–	–	23,447,500
		Weighted average exercise price		HKD1.86	–	–	HKD1.47	HKD1.91

(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, 3,553,500 share options were forfeited and nil was reversed in the consolidated income statement and the other reserve account.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. Other Reserves (Continued)

(iii) Share options reserve (Continued)

For the year ended 31 December 2018:

				Number of share options				
Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Forfeited during the year (note (b))	Outstanding at 31 December 2018
10 December 2013 (note (a))	1.18	10 December 2013 to 10 December 2017	10 December 2014 to 10 December 2019	2,123,500	–	–	–	2,123,500
17 December 2014 (note (a))	1.70	17 December 2014 to 17 December 2018	17 December 2015 to 17 December 2020	17,755,000	–	–	(2,425,000)	15,330,000
15 May 2015 (note (a))	2.17	15 May 2015 to 15 May 2019	15 May 2016 to 15 May 2021	12,620,000	–	–	(100,000)	12,520,000
				32,498,500	–	–	(2,525,000)	29,973,500
		Exercisable at the end of the year		–	–	–	–	26,843,500
		Weighted average exercise price		HKD1.85	–	–	HKD1.72	HKD1.86

(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, 2,525,000 share options were forfeited and RMB45,000 was reversed in the consolidated income statement and the other reserve account.

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 26,420,000 outstanding options (2018: 29,973,500), 23,447,500 options (2018: 26,843,500) were exercisable as at 31 December 2019. During the year, no shares (2018: nil) were issued since no share options were exercised.

The respective weighted average share price at the time of exercise was HK$1.91 (2018: HK$1.86) per share.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. Borrowings

	As at 31 December	
	2019	2018
Non-current		
Secured bank borrowing	**–**	31,543
Current		
Secured bank borrowing (note (a))	**32,249**	–
Unsecured bank borrowing (note (b))	**59,998**	50,000
	92,247	81,543

(a) Amount represents the bank borrowing of HK$36,000,000 (equivalent to RMB32,249,000), which bears an interest of 1.65% per annum over one-month HIBOR, repayable within three years and is secured by the Group's bank deposit of RMB7,000,000 (note 17).

(b) The amount represents the bank borrowing of RMB40,000,000, bearing an interest of 0.5% per annum over one-month Loan Prime Rate, repayable within one year; and the bank borrowing of RMB19,998,000, bearing a floating interest rate, repayable within one year.

The fair values of the borrowings equal their carrying amount, as the impact of discounting is not significant.

The Group has the following undrawn loan facilities:

	As at 31 December	
	2019	2018
– expiring within one year	**83,479**	43,504

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. Deferred Income Tax

	As at 31 December	
	2019	2018
Deferred income tax asset to be recovered over 1 year	**(8,192)**	(4,349)
Deferred income tax liabilities to be payable over 1 year	**363**	475
Deferred tax assets – net	**(7,829)**	(3,874)

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

	2019	2018
Balance at 1 January	**(3,874)**	(1,523)
Directly to equity from acquisition of business operations	**–**	164
Credited to the consolidated income statement	**(3,949)**	(2,826)
(Credited)/charged to other comprehensive income	**(6)**	311
Balance at 31 December	**(7,829)**	(3,874)

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	Changes in fair value of financial assets at FVOCI over the tax bases	Valuation appreciation	Total
At 1 January 2018	667	–	–	667
Directly to equity from acquisition of business operations	–	–	164	164
Credited to the consolidated income statement	(667)	–	–	(667)
Charged to other comprehensive income	–	311	–	311
At 31 December 2018	–	311	164	475
At 1 January 2019	**–**	**311**	**164**	**475**
Credited to the consolidated income statement	**–**	**–**	**(106)**	**(106)**
Credited to other comprehensive income	**–**	**(6)**	**–**	**(6)**
At 31 December 2019	**–**	**305**	**58**	**363**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. Deferred Income Tax (Continued)

Deferred income tax assets	Temporary difference between carrying amounts and tax base of inventories	Tax losses	Total
At 1 January 2018	–	(2,190)	(2,190)
Credited to the consolidated income statement	(41)	(2,118)	(2,159)
At 31 December 2018	(41)	(4,308)	(4,349)
At 1 January 2019	**(41)**	**(4,308)**	**(4,349)**
Credited to the consolidated income statement	**(1,795)**	**(2,048)**	**(3,843)**
At 31 December 2019	**(1,836)**	**(6,356)**	**(8,192)**

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, the tax losses of certain group companies over which deferred tax assets were recognised are shown as below:

	As at 31 December	
	2019	2018
Tax loss expiring within 2 years	**–**	2,804
Tax loss expiring from 2 to 5 years	**30,277**	15,787
	30,277	18,591

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. Trade and Other Payables

	As at 31 December	
	2019	2018
Trade payables		
– Third parties	**30,872**	26,324
– Related parties (note 36)	**286**	1,864
	31,158	28,188
Other payables to third parties	**36,499**	32,913
Dividends payable	**396**	975
	68,053	62,076

At 31 December 2019, 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	
	2019	2018
Less than 30 days	**25,790**	19,002
31–90 days	**2,945**	7,448
91–180 days	**498**	612
181–365 days	**172**	141
Over 365 days	**1,753**	985
	31,158	28,188

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

	As at 31 December	
	2019	2018
RMB	**60,314**	54,552
US$	**3,117**	3,150
HK$	**2,419**	2,442
TWD	**1,224**	1,187
Other currencies	**979**	745
	68,053	62,076

(All amounts in Renminbi Yuan thousands unless otherwise stated)

23. Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2019	2018
Contract liabilities		
– sales contracts of printers	**1,497**	3,090
– service contracts of technology development	**–**	920
	1,497	4,010

Contract liabilities for sales contracts of printers have decreased by RMB2,502,000 as a result of decrease of prepaid sales orders.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– sales contracts of printers	**3,090**	13,615
– service contracts of technology development	**920**	–
	4,010	13,615

24. Revenue

(a) Revenues from external customers are for sales of goods as below:

	2019	2018
Printers	**291,390**	326,591
Other electronic products	**2,619**	2,923
Other non-electronic products	**3,055**	107
	297,064	329,621

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

	2019	2018
In the PRC	**291,203**	326,993
In other countries	**5,861**	2,628
	297,064	329,621

(c) For the year ended 31 December 2019, approximately 13% of total revenue are derived from a single external customer (2018: 13%), which is attributable to the sales of printers.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

25. Other Income

	2019	2018
Interest income of bank deposits	**3,694**	5,442
Technology service income	**1,420**	–
Dividend received	**1,267**	–
Repair and maintenance service income	**39**	153
Incentive subsidy	**275**	170
Others	**98**	–
	6,793	5,765

26. Expenses by Nature

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

	2019	2018
Depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets (notes 6, 7 and 8)	**13,663**	11,221
Raw materials and consumables recognised in cost of goods sold and expenses	**188,609**	198,486
Employee benefit expenses (note 27)	**86,884**	86,809
Operating leases	**1,513**	4,346
Transportation expenses	**8,135**	6,601
Auditor's remuneration	**1,551**	1,597
– Audit services	**1,531**	1,577
– Non-audit services	**20**	20
Advertising and promotion fees	**5,242**	6,094
Allowance for doubtful debts	**–**	1,593
Impairment of goodwill	**586**	–
Amortisation of other assets	**419**	576
Others	**29,933**	32,300
	336,535	349,623

(All amounts in Renminbi Yuan thousands unless otherwise stated)

27. Employee Benefit Expenses

	2019	2018
Wages and salaries	**72,886**	71,753
Share options granted to employees (note 19)	**489**	2,776
Staff welfare and insurance	**8,594**	7,246
Pension costs – defined contribution plans	**4,915**	5,034
	86,884	86,809

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2018: two) directors whose emoluments are reflected in the analysis in benefits and interests of directors (note 39). The emoluments payable to the remaining three (2018: three) out of the five highest paid individuals during the year are as follows:

	2019	2018
Salaries and other benefits	**2,261**	2,197
Retirement scheme contributions	**19**	18
	2,280	2,215

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK dollar)		
HK$0 – HK$1,000,000	**3**	3

28. Other (Losses)/Gains – Net

	2019	2018
Gains on financial assets at fair value through profit or loss – net	**–**	747
Foreign exchange losses – net	**(837)**	(56)
Losses from disposal of machinery and equipment	**(12)**	(62)
Others	**84**	(189)
	(765)	440

(All amounts in Renminbi Yuan thousands unless otherwise stated)

29. Finance Expenses – Net

	2019	2018
Interest expenses on bank borrowings	(5,421)	(5,062)
Interest expenses on borrowings from a non-controlling shareholder	(86)	(192)
Exchange losses on bank borrowings	(706)	(4,884)
Interest expense on lease liabilities	(143)	–
	(6,356)	(10,138)

30. Income Tax Credit/(Expense)

	2019	2018
Current income tax expenses		
– Hong Kong profits tax (note (a))	(21)	–
– PRC corporate income tax (note (b))	1,658	(653)
– PRC dividend withholding tax (note (c))	(920)	(2,612)
	717	(3,265)
Deferred income tax	3,949	2,826
	4,666	(439)

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:

	2019	2018
Loss before tax	(41,110)	(28,602)
Tax calculated at tax rates applicable to profits or losses in the respective entities of the Group	7,360	3,035
Tax losses for which no deferred income tax asset was recognised	(2,108)	(672)
Write-off of previously recognised deferred tax assets for tax losses	(2,190)	–
Additional deductible allowance for research and development expenses	2,582	1,468
Utilisation of previously unrecognised tax losses	29	50
Tax effect of share of profit or loss of an associate	12	(700)
Dividend income not subject to tax	317	–
Tax effect of goodwill impairment	(146)	–
Expenses not deductible for tax purposes	(270)	(1,008)
PRC withholding tax	(920)	(2,612)
	4,666	(439)

30. Income Tax Credit/(Expense) (Continued)

(a) Hong Kong profits tax

The applicable Hong Kong tax rate is 16.5% for the year ended 31 December 2019 (2018: 16.5%).

(b) PRC corporate income tax

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 2019, it enjoys a preferential CIT rate at 15% for the year ended 31 December 2019 (2018: 15%). The effective CIT rate of other Group entities in the PRC is 25% (2018: 25%).

(c) PRC dividend withholding tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed out from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

During the year, the Group incurred withholding income tax of RMB920,000 (2018: RMB2,612,000). No deferred income tax has been provided for PRC dividend withholding tax as at 31 December 2019.

(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.

31. Loss per Share

Basic earnings per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The calculation of basic and diluted loss per share attributable to the shareholders of the Company is based on the following data:

	2019	2018
Loss attributable to the shareholders of the Company (RMB'000)	(36,057)	(28,274)
Weighted average number of ordinary shares in issue (shares in thousands)	612,882	632,260
Basic and diluted loss per share (RMB per share) (note (a))	(0.059)	(0.045)

(a) As there was no potential dilutive ordinary shares for the years ended 31 December 2019 and 2018, respectively, diluted loss per share equals basic loss per share.

32. Dividends

	2019	2018
Proposed final dividend (note (a))	–	–
Final dividend in respect of previous financial year, approved and paid during the year	–	12,500

(a) No dividend was recommended by the board of directors for the year ended 31 December 2019 (for the year ended 31 December 2018: nil).

33. Business Combination

In November 2018, the Group entered into an agreement with Hong Rui Da, an associate of the Group, to acquire its interactive live video business. The acquisition was completed on 26 February 2019.

Details of the purchase consideration, the net assets and goodwill acquired are as follows:

	RMB'000
Purchase consideration	
Cash paid in prior year	792
Cash paid in current period	1,848
Total purchase consideration	2,640

The assets recognised as a result of the acquisition are as follows:

	RMB'000
Property, plant and equipment (note 6)	6
Intangible assets (note 8)	1,897
Add: goodwill (note 8)	737
	2,640

The goodwill is attributable to the acquired employee workforce and the expected synergies. The goodwill is not expected to be deductible for tax purposes.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

34. Cash flow information

(a) Cash Generated from Operating Activities

	2019	2018
Loss for the year	**(36,444)**	(29,041)
Adjustments for:		
– Income tax (credit)/expense	**(4,666)**	439
– Depreciation of property, plant and equipment	**10,522**	10,161
– Depreciation of right-of-use assets	**2,162**	–
– Amortisation of land use rights	**–**	289
– Amortisation of intangible assets	**979**	771
– Amortisation of other assets	**419**	576
– Losses from disposal of property, plant and Equipment	**12**	62
– Interest income	**(3,694)**	(5,442)
– Share options granted to employees	**489**	2,821
– Share options forfeited during the year	**–**	(45)
– Gains on profit from financial assets at fair value through profit or losses	**–**	(747)
– Finance expenses – net	**6,356**	10,138
– Exchange gains on cash and cash equivalents	**(951)**	(332)
– Amortisation of discount interest of long-term receivables	**(85)**	(85)
– Losses from disposal of an associate	**–**	98
– Impairment of goodwill	**586**	–
– Impairment of investment in associates	**1,388**	3,586
– Share of (gains)/losses of investments accounted for using the equity method	**(77)**	1,081
– Dividend income from an investee	**(1,267)**	–
	(24,271)	(5,670)
Changes in working capital:		
– Inventories	**5,556**	(12,081)
– Trade and other receivables	**(10,344)**	20,392
– Restricted cash	**101**	159
– Contract liabilities	**(2,513)**	4,010
– Trade and other payables	**4,106**	(23,635)
Cash used in operations	**(27,365)**	(16,825)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

34. Cash flow information (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities		
	Borrowing due within 1 year (note 20)	**Borrowing due after 1 year** (note 20)	**Total**
Liabilities arising from financing activities as at 1 January 2019	(50,000)	(31,543)	(81,543)
Transfer to borrowings due within 1 year	(32,249)	32,249	–
Cash flows	(9,998)	–	(9,998)
Foreign exchange adjustments	–	(706)	(706)
Liabilities arising from financing activities as at 31 December 2019	(92,247)	–	(92,247)

35. Commitments

(a) Capital commitments

The future aggregate minimum payments of property, plant and equipment are as follows:

	2019	2018
No later than 1 year	–	4,863
Later than 1 year and not later than 5 years	–	–
	–	4,863

(b) Non-cancellable operating lease

The Group leases various offices and warehouses under non-cancellable operating leases expiring within six months to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 7 and for further information.

	2019	2018
No later than 1 year	**318**	1,756
Later than 1 year and not later than 5 years	–	76
	318	1,832

36. 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 72.61% 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
Jiangmen Huasheng Industrial and Manufacturing Co., Ltd ("Jiangmen Huasheng")*	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 Rui Da	An associate of the Group
Shuyuan	An associate of the Group

* Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision") renamed as Jiangmen Huasheng Industrial and Manufacturing Co., Ltd at 25 December 2019.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

36. Related-party Transactions (Continued)

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

		2019	2018
(i)	**Purchase of goods and services** (note (b-1))		
	– Jiangmen Huasheng	11,917	13,580
	– Guangdong Zhongding	2,155	2,668
		14,072	16,248
(ii)	**Purchase of services** (note (b-1))		
	– Palace	766	1,046
(iii)	**Acquisition of business**		
	– Hong Rui Da (note 33)	2,640	–
(iv)	**Acquisition of fixed assets**		
	– Jiangmen Huasheng	2,600	1,727
	– Hong Rui Da	–	642
		2,600	2,369
(v)	**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	5,723	5,772
	– Share options	66	239
	– Retirement scheme contribution	65	61
		5,854	6,072
(vi)	**Year-end balances with related parties** (note (b-2))		
	Trade and other receivables from related parties (note 14)		
	– Hong Rui Da (note (b-3))	1,951	1,866
	– Industrial Park	111	79
		2,062	1,945
	Prepayment to related parties (note 14)		
	– Hong Rui Da	–	792
	Trade payables to related parties (note 22)		
	– Guangdong Zhongding	286	499
	– Jiangmen Huasheng	–	1,365
		286	1,864

Notes:

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

(b-2) All balances are interest free; balances due from Industrial Park and Jiangmen Huasheng are repayable on demand, balances due to other related parties are repayable within 45 days.

(b-3) The balance represents a secured loan to Hong Rui Da, which is interest free and repayable in 2020.

37. Events after the reporting period

Following the outbreak of Coronavirus Disease 2019 ("the COVID-19 outbreak) in early 2020, a series of precautionary and control measures have been and continued to be implemented across China, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

In order to minimise the impact of the COVID-19 outbreak and changes in the market, the Group has actively coordinated relevant resources and adjusted production and operation arrangements in a timely manner. Despite the Group has postponed the resumption of production in certain factories, the production resumed after the Chinese New Year on 17 February 2020. The delivery of goods and supply of certain production materials have also experiencing delayed for a short period which then delayed the completion of certain sales contracts in recent months.

Following the COVID-19 outbreak, the Group is experiencing longer accounts receivable turnover time and some have become overdue, which led to an increase in the expected credit loss ratios on accounts receivables. Up to the date on which this set of financial statements were authorised for issue, the impact of the COVID-19 outbreak on the Group's customers' financial positions and the macro-economic conditions as a whole are still uncertain, the Group is unable to quantify the related financial effects. The Group has been proactively negotiating with customers and suppliers, respectively, for collection of overdue debts and delay of purchase payments to minimise the impact to the cash flow of the Group.

In preparing this set of financial statements, the Group tested goodwill for impairment (note 8), the recoverable amount of the relevant CGUs exceeds their carrying amount and thus no provision for impairment is made. In performing this assessment, the Group estimated the present value of future cash flows of the CGUs based on the conditions as at 31 December 2019. Up to the date on which this set of financial statements were authorised for issue, the Group is still in the process of assessing the impacts of the COVID-19 on the performance of the relevant CGUs and is currently unable to estimate the financial impact to the Group.

The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

38. Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2019	2018
ASSETS			
Non-current assets			
Investments in subsidiaries	10	**231,622**	231,147
Other assets		**1,462**	1,621
		233,084	232,768
Current assets			
Amounts due from subsidiaries		**10,416**	12,162
Cash and cash equivalents		**580**	766
		10,996	12,928
Total assets		**244,080**	245,696
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**9,155**	12,814
Other reserves		**229,457**	228,601
Retained earnings		**2,134**	941
Total equity		**240,746**	242,356
LIABILITIES			
Current liabilities			
Trade and other payables		**3,334**	3,340
Total liabilities		**3,334**	3,340
Total equity and liabilities		**244,080**	245,696

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

(All amounts in Renminbi Yuan thousands unless otherwise stated)

38. Balance Sheet and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

	Retained earnings	Other reserves
At 1 January 2018	182	225,825
Profit for the year	4,051	–
Treasury shares (note 18)	(3,292)	–
Share options granted to employees	–	2,821
Share options forfeited during the year	–	(45)
At 31 December 2018	941	228,601
At 1 January 2019	**941**	**228,601**
Loss for the year	**(2,099)**	**–**
Cancellation of shares (note 18)	**3,292**	**367**
Share options granted to employees	**–**	**489**
At 31 December 2019	**2,134**	**229,457**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

39. 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 2019:

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	211	1,478	–	58	–	–	–	1,747
Mr. Au Kwok Lun (Chief Executive Officer)	211	1,030	–	–	–	16	–	1,257
Mr. Ou Guo Liang	211	229	–	–	–	16	–	456
Mr Yeung Kwok Keung*	211	–	–	–	–	–	–	211
Mr. Meng Yan*	185	–	–	–	–	–	–	185
Ms. Kan Lai Kuen, Alice*	129	–	–	–	–	–	–	129
	1,158	2,737	–	58	–	32	–	3,985

(All amounts in Renminbi Yuan thousands unless otherwise stated)

39. Benefits and Interests of Directors (Continued)

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

For the year ended 31 December 2018:

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	203	1,419	–	–	91	–	–	1,713
Mr. Au Kwok Lun (Chief Executive Officer)	203	991	–	–	101	15	–	1,310
Mr. Ou Guo Liang	203	220	–	–	101	15	–	539
Mr. Lai Ming, Joseph**	203	–	–	–	–	–	–	203
Mr. Meng Yan*	101	–	–	–	–	–	–	101
Mr. Xu Guangmao	92	–	–	–	–	–	–	92
Mr Yeung Kwok Keung	203	–	–	–	–	–	–	203
	1,208	2,630	–	–	293	30	–	4,161

* Ms. Kan Lai Kuen, Alice, Mr. Meng Yan and Mr. Yeung Kwok Keung are independent non-executive directors of the Company.

** Mr. Lai Ming retired from the Group on 21 May 2019.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

39. Benefits and Interests of Directors (Continued)

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

During the years ended 2019 and 2018, 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	
2019	2018	**2019**	2018	**2019**	2018
3,927	3,868	**58**	293	**3,985**	4,161

(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 2019 and 2018 or at any time during the years ended 31 December 2019 and 2018.

Five-Year Financial Summary

(All amounts in Renminbi Yuan thousands unless otherwise stated)

Consolidated Balance Sheets

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
ASSETS					
Non-current assets					
Property, plant and equipment	**105,823**	103,640	94,402	89,488	88,642
Right-of-use assets	**10,681**	–	–	–	–
Land use right	**–**	8,010	8,299	8,588	8,877
Intangible assets	**13,216**	11,726	11,911	12,681	9,463
Investments accounted for using the equity method	**7,821**	9,132	14,870	18,570	10,176
Financial assets at fair value through profit or loss	**463**	463	–	–	–
Financial assets at fair value through other comprehensive income	**5,956**	6,214	–	–	–
Available-for-sale financial assets	**–**	–	2,556	3,349	3,349
Deferred income tax assets	**8,192**	4,349	2,190	2,682	–
Restricted cash	**–**	7,000	58,120	58,130	160
Other receivables	**500**	3,158	1,781	–	–
Other assets	**3,124**	3,038	–	–	–
	155,776	156,730	194,129	193,488	120,667
Current assets					
Inventories	**86,320**	91,876	79,795	89,113	102,367
Trade and other receivables	**34,848**	27,390	49,997	39,034	28,666
Financial assets at fair value through profit or loss	**–**	–	20,092	–	5,426
Time deposits	**–**	57,960	–	–	–
Restricted cash	**7,153**	254	253	69,651	30,289
Cash and cash equivalents	**122,474**	95,388	171,056	198,516	308,739
	250,795	272,868	321,193	396,314	475,487
Total assets	**406,571**	429,598	515,322	589,802	596,154
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	**9,155**	12,814	51,297	24,578	147,449
Other reserves	**257,058**	256,185	252,643	245,913	232,769
(Accumulated losses)/retained earnings	**(24,246)**	8,799	40,365	51,616	68,395
	241,967	277,798	344,305	322,107	448,613
Non-controlling interests	**(564)**	(119)	(455)	(77)	60
Total equity	**241,403**	277,679	343,850	322,030	448,673
LIABILITIES					
Non-current liabilities					
Borrowings	**–**	31,543	50,154	53,670	–
Lease liabilities	**1,363**	–	–	–	–
Deferred income tax liabilities	**363**	475	667	1,073	799
	1,726	32,018	50,821	54,743	799
Current liabilities					
Trade and other payables	**68,053**	62,076	86,317	98,768	112,814
Contract liabilities	**1,497**	4,010	–	–	–
Lease liabilities	**1,645**	–	–	–	–
Current income tax liabilities	**–**	3,815	4,334	6,921	4,243
Borrowings	**92,247**	50,000	30,000	107,340	29,625
	163,442	119,901	120,651	213,029	146,682
Total liabilities	**165,168**	151,919	171,472	267,772	147,481
Total equity and liabilities	**406,571**	429,598	515,322	589,802	596,154
Net current assets	**87,353**	152,967	200,542	183,285	328,805
Total assets less current liabilities	**243,129**	309,697	394,671	376,773	449,472

(All amounts in Renminbi Yuan thousands unless otherwise stated)

Consolidated Income Statement

	2019	2018	2017	2016	2015
Revenue	**297,064**	329,621	373,188	526,637	496,975
Cost of goods sold	**(212,208)**	(224,595)	(241,790)	(331,730)	(306,373)
Gross profit	**84,856**	105,026	131,398	194,907	190,602
Other income	**6,793**	5,765	7,663	9,962	12,952
Selling and marketing expense	**(40,240)**	(40,130)	(37,740)	(43,263)	(37,593)
Administrative expenses	**(39,646)**	(40,375)	(47,065)	(48,629)	(48,223)
Research and development expenses	**(44,441)**	(44,523)	(28,111)	(26,834)	(25,430)
Other (losses)/gains – net	**(765)**	440	1,523	376	25,257
Operating (loss)/profit	**(33,443)**	(13,797)	27,668	86,519	117,565
Finance expenses – net	**(6,356)**	(10,138)	(500)	(7,408)	(3,948)
Share of gains/(losses) of investments accounted for using the equity method	**77**	(1,081)	(657)	(606)	(613)
Impairment of investment in associates	**(1,388)**	(3,586)	(6,443)	–	–
(Loss)/profit before income tax	**(41,110)**	(28,602)	20,068	78,505	113,004
Income tax credit/(expenses)	**4,666**	(439)	(6,593)	(17,440)	(24,098)
(Loss)/profit for the year	**(36,444)**	(29,041)	13,475	61,065	88,906
Attributable to:					
– Shareholders of the Company	**(36,057)**	(28,274)	13,853	61,176	88,921
– Non-controlling interests	**(387)**	(767)	(378)	(111)	(15)
	(36,444)	(29,041)	13,475	61,065	88,906
(Loss)/earnings per share for (loss)/profit attributable to the shareholders of the Company during the year (expressed in RMB per share)					
– Basic	**(0.059)**	(0.045)	0.021	0.098	0.147
– Diluted	**(0.059)**	(0.045)	0.021	0.098	0.147